CALIFORNIA TRANSPORTATION COMMISSION

2009

ANNUAL REPORT TO THE CALIFORNIA LEGISLATURE

CALIFORNIA
TRANSPORTATION
COMMISSION

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CHAIR AND VICE CHAIR LETTER

Members of the Legislature:

We are pleased to present the California Transportation Commission's (Commission) 2009 annual report, approved on December 9, 2009, to you. The Commission fulfilled its promise to program the remainder of the Proposition 1B funding under its purview, save the remaining cycles of State-Local Partnership Program. At the close of the 2008-09 fiscal year, the Commission had programmed more than $10.8 billion in projects, and allocated over $3.9 billion, three years after the voters approved Proposition 1B.

Overall, the Commission allocated over $7.6 billion in state and federal transportation funding in the 2008-09 fiscal year, helping the state to achieve transportation construction activity in excess of $9 billion in state construction contracts alone. Construction in the transportation sector was a bright spot in the state's economy and looks to be one of the few major economic positives as 2010 approaches. This is the fourth consecutive year that the Commission has allocated more than $4 billion to transportation projects.

As we look toward next year, transportation will face two major challenges. The first challenge is the resolution of the state's ongoing budget deficit. While Proposition 42 funding has remained intact, transit capital and operating funds have been decimated. A healthy transportation system in California is one in which all modes are performing well. Automobiles, transit, trucks, rail, and air travel interact to move people and goods to and through this state. When one part of the system is suffering, the other parts feel the pressure.

The Commission recognizes the tremendous pressure and strain you face in achieving the requirement of a balanced budget. As pragmatists, we realize that all aspects of California government will need to play a part in resolving the state's fiscal crisis. We would make the following observations. First, transportation funding supports one of the few job-creating sectors of the economy while also generating revenue for the state's treasury. Second, the longer the budget deficit is allowed to linger the more difficult the atmosphere becomes for issuing transportation bonds, let alone other types of infrastructure bonds. Given the state's precarious cash position as we enter 2010, a lack of bond proceeds will continue to limit the Commission's ability to allocate Proposition 1B funding for the balance of the 2009-10 fiscal year, and beyond.

The second challenge deals with programming and funding the State Transportation Improvement Program (STIP). The development of the 2010 STIP began this year with the Commission's adoption of the 2010 STIP fund estimate assumptions on June 10, 2009, and the adoption of the STIP fund estimate and amendments to the STIP guidelines on October 14, 2009. The 2010 STIP program capacity is derived primarily from Proposition 42 revenues transferred to the Public Transportation Account (PTA) and the Transportation Investment Fund. The 2010 fund estimate faces major revenue risks that could substantially impact the actual program capacity for the STIP. These revenue risks include potential Proposition 42 suspension or loans to the General Fund, PTA diversions, inadequate federal funding levels, and a non-responsive bond market.

Much work needs to be done in 2010. California can no longer afford to operate as it has been and must find new, stable, and innovative ways of generating transportation revenues while continuing to provide enhanced mobility, and ensuring that funding decisions contribute to the most efficient and effective transportation system. In 2010, Congress will have an opportunity to pass federal re-authorization legislation that can affect much of what Americans care about most – the economy and jobs, national security, energy policy, gas prices, environmental stewardship, and climate change. The Commission, the Legislature, the Governor, and the state's transportation stakeholders must work together towards providing stable, sustainable, and growing transportation funding that will enable California to meet its mobility, economic and environmental objectives, and provide Californians with the transportation network they expect and deserve.

Sincerely,

ROBERT ALVARADO
Chair

JAMES EARP
Vice Chair

ISSUES FOR 2010

Six issues will capture the transportation community's attention in 2010. The first continues to be the state's ongoing budget deficit and its impact on available transportation resources. The second concerns programming and funding the 2010 State Transportation Improvement Program (STIP). The third, as it was last year, is how to incorporate greenhouse gas (GHG) reduction measures into the planning, programming and implementation of transportation projects. The fourth is the preservation of the state's transportation system, and how the needs continue to grow beyond available resources. The fifth is the federal re-authorization and how it may impact California's leveraging ability. And finally, the continuing pursuit of reliable funding to address the state's transportation system needs.

While these issues will require extra attention and effort, the California Transportation Commission's (Commission) top priority will continue to be working with the California Department of Transportation (Caltrans) and transportation stakeholders to deliver Proposition 1B projects as promised.

Impact of State Budget on Transportation Resources

Ongoing state budget challenges, combined with reduced revenues from transportation taxes and fees, are jeopardizing the delivery of existing transportation capital programs. In December 2008, California projected a General Fund shortfall of $42 billion for the remainder of 2008-09 and 2009-10. Revisions to the 2008-09 Budget Act and the amended 2009-10 Budget Act resulted in diversions of transportation funding and loans to the General Fund. While the Administration and the Legislature have spared Proposition 42 funding, transit capital and operating funds have been decimated to provide budget deficit relief.

Proposition 42 funding is critical due to the interrelated nature of STIP funding to Proposition 1B programs, such as the Corridor Mobility Improvement Account (CMIA), State Route 99 Corridor Account (SR 99). Diverting Proposition 42 funding could result in delayed Proposition 1B projects, in addition to delayed STIP-only funded projects. Although the American Recovery and Reinvestment Act of 2009, signed by President Obama in February 2009, provided additional federal funding that allowed some STIP projects to be delivered, the Commission deferred allocations for 59 STIP projects programmed in 2008-09. Including these deferred 2008-09 allocations, there is an approximate $242 million shortfall in allocation capacity for 2009-10. The majority of the 2009-10 allocation capacity is from Proposition 1B funds (Transportation Facilities Account (TFA)) in which availability depends on the state's ability to sell bonds.

Transit funding was reduced by diverting $363 million in 2009-10 Public Transportation Account (PTA) funds and all spillover revenue to the Mass Transportation Fund (MTF), with future spillover revenues continuing to be diverted to the MTF through 2012-13. In addition, Assembly Bill (AB) 10 (Chapter 10, Statutes of 2009) allows for the Transportation Debt Service Fund (TDSF) to receive transfers from the PTA for the purpose of repaying current debt service on transit-related general obligation bonds. In 2009-10, the TDSF is authorized to receive a maximum of $225 million from the PTA.

Transit is a critical component of the transportation system and plays a key role in California's effort to reduce traffic congestion particularly in urbanized areas, and is a vital element in the effort to reduce GHG emissions that contribute to global warming. To begin a productive analysis of state funding for transit capital, the Commission and the California Transit Association held a Transit Capital Summit in October 2008, to discuss the challenges of public transportation operations, and how transit capital projects are planned, programmed and funded. The summit concluded with a discussion of possible solutions and the development of an action plan with possible implementation measures focusing on the state of the current funding system and potential opportunities for improvement. A follow up summit will be held in the spring of 2010 to review and formalize the work completed as a result of the 2008 summit.

Ongoing state budget challenges, combined with reduced revenues from transportation taxes and fees, are jeopardizing the delivery of existing transportation capital programs.

Programming and Funding the 2010 STIP

The STIP is a five-year planning document adopted every two years that commits transportation funds for improving operations for rail, mass transportation, local roads, and the state highway system.

The 2010 STIP program capacity is derived primarily from Proposition 42 revenues transferred to the PTA and the Transportation Investment Fund (TIF). Section 14524(c) of the Government Code requires the fund estimate to base revenue assumptions on existing law; however, existing law can not guarantee that revenues will be realized over the fund estimate period. The 2010 STIP fund estimate faces major revenue risks that could substantially impact the actual program capacity. These revenue risk items are:

- TIF Transfers – Transfers of Proposition 42 gasoline sales tax revenues to the TIF have been delayed or suspended in the past due to budget shortfalls. There is a chance that these transfers could again be suspended during the fund estimate period because of continuing state budget shortfalls.
- PTA Diversions – The 2009-10 Budget Act and subsequent trailer bills reduced PTA funding by diverting up to $363 million and all the spillover revenue to the MTF, with future spillover diversions continuing through 2012–13 (Chapter 14, Statutes of 2009). The fund estimate also accounts for $138 million per year to support needs for transportation to Regional Centers. In addition, AB 10 allows for the TDSF to receive transfers from the PTA for the purpose of repaying current debt service on transit-related general obligation bonds. In 2009-10, the TDSF is authorized to receive a maximum of $225 million from the PTA.
- State General Fund Assistance – In December 2008, the state projected a General Fund shortfall for the remainder of 2008-09 and 2009-10. This shortfall required diversions of transportation funding and loans to the General Fund. If revenue shortfalls are again experienced, available cash for programming new capacity will be reduced.
- Federal Highway Funding – The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) expired on September 30, 2009. In addition, the Federal Highway Trust Fund required cash transfers from the U.S. General Fund in federal fiscal years 2008 and 2009 in order to meet its funding levels in the current Federal Highway Act. This makes future levels of federal funding uncertain.
- Bond Market – Proposition 1B, approved by voters in November 2006, authorized the issuance of general obligation bonds. The last sale of these bonds was October 8, 2009, providing funds for Proposition 1B transportation projects currently under construction. It is estimated that the amount provided will fund these projects through June 30, 2010. Due to a struggling economy and credit market, any future bond sale date, and any proceeds apportioned to Proposition 1B projects, is unknown.

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Transportation and Climate Action: Implementation of SB 375

As California is leading the nation in addressing the issues of climate change, the Commission is closely working with other state agencies and the Legislature to promote a coordinated approach to strategic infrastructure decisions. The Commission supports the Strategic Growth Council created by Senate Bill (SB) 732 (Chapter 729,

Statutes of 2008) and looks forward to assisting Caltrans as it addresses SB 391 (Chapter 585, Statutes of 2009) to develop a California Transportation Plan that will address how the state will achieve the maximum feasible emissions reductions in order to attain a statewide reduction of GHG to 1990 levels by 2020 and 80 percent below 1990 levels by 2050.

Recognizing that the transportation sector is the largest contributor, with 38 percent of the state's total GHG emissions, the Commission has moved quickly to develop early action and long term strategies to reduce GHG emissions in transportation decisions. In 2008, subsequent to the passage of the Global Warming Solutions Act of 2006 (Chapter 488, Statutes of 2006), the Commission adopted an addendum to the 2007 Regional Transportation Plan (RTP) Guidelines to address climate change and GHG emissions during the RTP process by promoting smart growth/land use and modeling strategies to be considered in the preparation of RTPs.

The basic principles of SB 375 to promote sustainable communities in the planning process are a critical step in promoting a future which addresses quality of life and promotes a robust economy.

While the current RTP Guidelines provide a strong foundation to build upon in promoting sustainable communities strategies required by SB 375 (Chapter 728, Statutes of 2008) in transportation funding decisions, developing RTPs that promote the integration of land use, housing, and transportation requires a sophisticated level of strategic planning and coordination. Planning strategies to address congestion, urban sprawl, interregional travel, jobs/housing balance, and other elements of a sustainable community, must now be incorporated in the RTPs prepared by the state's 18 Metropolitan Planning Organizations (MPO). These strategies place a responsibility on the MPO to maximize strategic planning decisions to promote a reduction of GHG emissions while ensuring that the decisions made today can be maintained in the future.

The Commission looks forward to adopting the updated RTP Guidelines in the spring of 2010, and as a result providing the necessary guidance to the MPOs as they develop the next cycle of RTPs and addressing GHG emission reduction targets established by the California Air Resources Board. While the Commission expects there will be a need to update the RTP Guidelines upon federal re-authorization and anticipated adoption of federal climate change legislation, the guidance developed now is expected to provide for a smoother transition to addressing new federal climate change requirements.

The goals of AB 32 and SB 375 may be more difficult to achieve in the near term given the downturn in the economy. However, the basic principles of SB 375 to promote sustainable communities in the planning process are a critical step in promoting a future which addresses quality of life and promotes a robust economy. While the Commission is taking steps through the RTP Guidelines update process to promote rational transportation investments that are consistent with sustainable communities strategies, the Commission looks forward to working with the Legislature on clarifications to existing law in order to establish a clear path towards achieving California's climate action goals.

Preservation of the State's Transportation System

California's current transportation system is deteriorating while demand is increasing, adversely affecting the operational efficiency of key transportation assets, hindering mobility, commerce, quality of life and the environment. California lacks sufficient funding to preserve and maintain this asset, and the cost of maintaining and preserving this asset is increasing due to the cumulative effects of an aging system, growing traffic demands, and rising costs. This is compounded by existing transportation revenue sources that

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are outdated and inadequate, resulting in funding streams that are fragmented, inflexible, insufficient, and unreliable. The instability and unpredictability of the funding result in increased project costs and delayed benefits, failing not only to maintain the existing system adequately, but also failing to respond to increasing demands.

The state's existing transportation system, consisting of state highways, local streets and roads, aeronautics, and public transit and rail, is critical to the safety, mobility and economic vitality of California, yet without sufficient funding, these assets are currently deteriorating. On the state highway system, more than 26 percent of the pavement is distressed and needs rehabilitation or reconstruction. Over the next 10 years, the level of distressed pavement on the state highway system is expected to increase to 60 percent. Caltrans estimates that the cost of rehabilitating the state highway system is more than $6 billion annually but less than $2 billion is available. Without sufficient funding, the condition of the state highway system will continue to deteriorate and the costs to maintain and rehabilitate will increase.

As vital links in the state's transportation network, local streets and roads represent approximately 81 percent of California's roads. A March 2009

report prepared for a broad coalition of local and regional agencies, "Statewide Local Streets & Roads Needs Assessment" (www.savecalifornia streets.org), rated the pavement condition of the majority of the state's local streets and roads as "at risk" and likely to deteriorate to "poor" in the next 25 years, assuming current levels of funding. The report estimated the unfunded backlog of maintenance and rehabilitation work at $37 billion today and $79 billion in 2033, without significant funding increases.

As with the state highway system and the local road network, public transit infrastructure is also deteriorating under current funding conditions. More than 20 percent of the nation's bus fleet and over 40 percent of the nation's rolling stock currently exceeds the recommended service life. Fifty percent of stations are in substandard or worse condition. In California, more than $1 billion is needed to cover total annual shortfalls of revenue to support transit operating deficits associated with the maintenance of existing physical condition and service performance.

California's general aviation system is also deteriorating under current funding conditions. In California, aviation and related activities represent nine percent of the state's gross domestic product. General aviation typically receives about $4 million annually for capital projects, which is insufficient when compared to an annual need of about $8.5 million. Even before recent budget actions to re-direct monies to the General Fund, the Aeronautics Account was not an adequate, reliable and dedicated funding source for important safety, security, capacity, airport land use compatibility, and other related airport projects.

Federal Re-Authorization: Key Issues for California

SAFETEA-LU lapsed on September 30, 2009. In addition, the authorization dealing with aviation, Vision 100, Century of Flight Authorization Act of 2003, a four-year act, lapsed on September 30, 2007. In both cases, Congress has passed resolutions to permit the lapsed authorizations to continue.

In 2010, Congress will have the opportunity to pass re-authorization legislation that can affect much of what Americans care about most: economy and jobs, national security, energy policy, gas prices, environmental stewardship, and climate change. Under the leadership of Governor Arnold Schwarzenegger, the Business, Transportation and Housing Agency, Caltrans, and transportation officials from across California reached consensus on a basic set of principles that were given to the California Congressional Delegation in Washington, D.C. to consider in the upcoming debate on the future of this nation's transportation policies. Above all, the Delegation was urged to be bold and set forth a new and comprehensive agenda to meet the needs of everyday Americans on the issues that affect their daily lives. The Commission has embraced these principles and asks the Legislature to refer to these principles as the opportunities arise to participate in this debate:

- Ensure the financial integrity of the Highway and Transit Trust Funds
- Rebuild and maintain transportation infrastructure in a good state of repair

- Establish goods movement as a national economic priority
- Enhance mobility through congestion relief within and between metropolitan areas
- Strengthen the federal commitment to safety and security, particularly with respect to rural roads and access
- Strengthen comprehensive environmental stewardship
- Streamline project delivery

The combined impact of increased costs, declining revenue from the fuel tax, and growing awareness of the causes and impacts of climate change, compels a reassessment of how transportation infrastructure is publicly financed.

Drastically fluctuating oil prices have affected almost every transportation mode and have made fuel taxes a less than reliable revenue source. Drivers are reducing fuel consumption by switching their principal vehicle, driving less or choosing more efficient vehicles. The combined impact of increased costs, declining revenue from the fuel tax, and growing awareness of the causes and impacts of climate change, compels a reassessment of how transportation infrastructure is publicly financed. Congress should seek to broaden the revenue base which contributes funding to the Highway Trust Fund by looking at other sources such as truck and vehicle fees, freight fees, and revenue from carbon pricing mechanisms, to provide additional resources. While other funding sources may be possible in the future, fees based on the number of miles driven seem to hold the most potential for replacing fuel taxes. Congress should be asked to confirm the feasibility of a Vehicle Miles Traveled (VMT)-based fee system by mandating the federal government to fully explore a transition from the gas tax to a funding system tied more directly to road use and impact on the road system. To this end, Congress should set an aggressive timetable to complete development of a new VMT-based fee system with all due speed through well funded research and development efforts to identify the best option for system design and technology.

The transportation community should collectively encourage Congress to look for new and innovative ways to provide reliable funding in the next authorization of the Federal Surface Transportation Act.

Reliable Transportation Funding

While the needs are great, California's current transportation funding system is based primarily on user fees such as fuel excise tax, sales tax on fuel, weight fees, bridge tolls and transit fares. For many years, the motor vehicle fuel excise tax was an adequate user fee proxy for a driver's road usage. However, increased automobile fuel efficiency, the emergence of alternate technologies, and fixed taxation rates have eroded the fuel excise tax's ability to approximate road usage and fund critical improvements and rehabilitation. In addition, the state's repeated diversions of transportation funds to meet General Fund shortfalls create even greater funding gaps and chronic instability.

The transportation community should encourage Congress to broaden the revenue base which contributes funding to the state transportation system. At the same time, the transportation community should explore new or innovative revenue sources, and a funding structure that incorporates user fees, allowing consumers to choose mobility options that are appropriately priced. Mobility options could be priced to pay for any indirect costs and reduced to pay for the indirect benefits. The cost of driving, for example, should be priced not only to reflect the cost of road construction, repair, preservation and maintenance, but also the environmental costs of driving. Similarly, the cost of riding a bus should be priced to capture the benefit of not driving a car. Further, mobility should be viewed as a utility, where everyone has the right to a minimum level of service and is given the choice and flexibility to purchase higher levels of service.

In addition to a federally structured VMT fee, California should retain the fuel excise tax. This tax, tied directly to fuel consumption, should be restructured to reflect the environmental impacts of fuel consumption. The distribution of excise tax revenues from general aviation should also be addressed to provide sufficient funding for general aviation. The excise tax could also be used to address some of the national security implications of fuel consumption. For example, the fuel excise tax could be used to fund the development of alternate propulsion technology.

Another critical component of this transportation funding structure is tolling and congestion pricing. Tolls, which are a direct user fee, have the potential to generate revenues for construction of new infrastructure projects and for the costs of operating and maintaining new or existing infrastructure. Congestion pricing uses tolls to control and reduce travel demand in order to maintain throughput. Drivers have the choice of taking either the tolled express lanes which are priced to be less congested, or the free lanes. California should greatly expand the use of congestion pricing in order to offer increased opportunities for people to purchase greater mobility as well as a way to subsidize transportation alternatives.

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California should also continue to assess and collect commercial weight fees. Fees for commercial vehicle registration based on weight generate approximately $1 billion annually. Such fees could address the traffic congestion and air pollution costs of goods movement and place the cost of trade on those who directly benefit.

With the implementation of a federal VMT fee and a revised excise tax, the Legislature should consider eliminating the dedication of state sales tax on gasoline for transportation funding. Rather than a boon to transportation, dedication of the state sales tax revenue on gasoline has exacerbated the instability of transportation funding by placing it at the mercy of the General Fund.

While not a success at the state level, directing general sales tax revenue to transportation is critical to funding transportation improvements at the regional or local level, primarily through local sales tax measures. The Legislature should consider reducing the percentage required to pass local sales tax measures, increasing the ability of local agencies to generate funding for transportation.

Delivering Proposition 1B Projects in a Challenging Economic Environment

With the passage of Proposition 1B in November 2006, the citizens of California authorized an unprecedented investment of more that $19 billion in transportation programs to relieve congestion, facilitate goods movement, improve air quality, and enhance the safety of the state's transportation system. Through the close of the 2008-09 fiscal year, the Commission has programmed $10.7 billion of the $11.625 billion of the Proposition 1B funds within its purview and allocated $3.8 billion of the programmed funds, primarily to projects that were ready to commence construction.

State revenues from all sources have continued to decline, negatively impacting project delivery schedules.

Unfortunately, the state's current economic condition has placed these projects at risk. State revenues from all sources have continued to decline, negatively impacting project delivery schedules. The $3.8 billion of Proposition 1B projects currently under construction are funded only through June 2010 and more than $400 million of shovel ready projects are stalled until additional bond funds are available for these projects. As every $1 billion of construction projects generates 18,000 jobs in California, the Commission believes that these transportation infrastructure projects should be the highest priority for bond funding, putting Californians back to work building a better transportation system and a stronger economy.

The ongoing economic downturn also threatens local funding for Proposition 1B projects. Nineteen counties in California have adopted local sales tax measures to fund transportation improvements, including local contributions to Proposition 1B projects. As local sales tax revenues have declined as much as 20 percent in the last two years, project sponsors may have difficulty meeting existing local funding commitments to Proposition 1B projects or funding potential cost increases. In addition, many local agencies issue bonds against future sales tax revenues to raise funds to pay current project costs and may have difficulty issuing such bonds given the tight credit markets. The Commission is concerned that these local funding constraints may threaten Proposition 1B projects, even when state bond funds are available, and is committed to working with project sponsors to develop funding strategies to keep projects moving.

OVERVIEW OF 2009

The California Transportation Commission (Commission) shifted from programming to implementation mode for the nine Proposition 1B programs before the close of fiscal year 2008-09. The Commission has programmed all Proposition 1B dollars within its purview with the exception of the remaining cycles of the State-Local Partnership Program (SLPP). Detailed descriptions and progress of Proposition 1B programs are provided in subsequent sections of this annual report. The Commission has also worked with statewide transportation stakeholders to deliver other programs within its purview, allocating over $7.6 billion in state and federal transportation funding in the 2008-09 fiscal year, helping the state to achieve transportation construction activity in excess of $9.0 billion in state construction contracts alone. This outcome, considering the ongoing budget uncertainties, highlights the strong and dedicated commitment of all those involved.

STATE TRANSPORTATION IMPROVEMENT PROGRAM

The State Transportation Improvement Program (STIP) is the biennial five-year plan adopted by the Commission for future allocations of certain state transportation funds for state highway improvements, intercity rail, and regional highway and transit improvements. State law requires the Commission to update the STIP biennially, in even-numbered years, with each new STIP adding two new years to prior programming commitments.

STIP funding comes primarily from Proposition 42 Transportation Investment Fund (TIF) transfers (gasoline sales tax), Proposition 1B bond proceeds (Transportation Facilities Account (TFA)), and the Public Transportation Account (PTA).

STIP Allocations

In July 2008, the Commission notified the Legislature that the suspension of Proposition 42 funding in 2008-09 will result in developing a new fund estimate for the remainder of the 2008 STIP period, the reprogramming of the 2008 STIP, and the postponement of STIP allocations until the adoption of the amended 2008 STIP. During the first two months of the 2008-09 fiscal year, the Commission made STIP allocations conditional on the enactment of the budget and the full funding of Proposition 42. The Legislature ultimately enacted the 2008-09 budget without suspending Proposition 42.

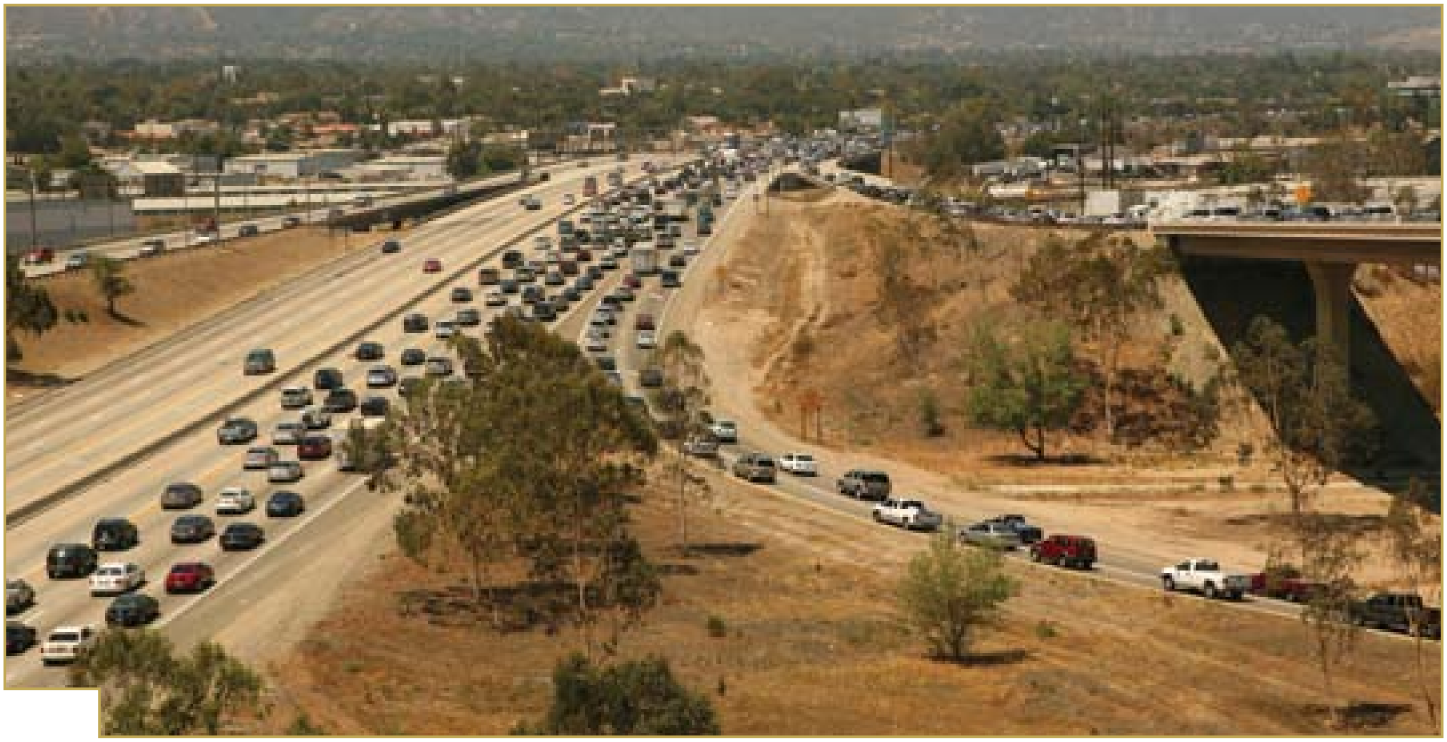
As a result of the state's economic conditions, the anticipated tax revenues were not received as assumed in the 2008 fund estimate. In addition, the state was unable to sell sufficient Proposition 1B bonds to support construction ready projects. The allocation capacity of the 2008-09 STIP was $1.348 billion, with approximately $1 billion in bond funds. Allocations were made through the December 2008 meeting, but were then suspended. The

Governor declared a fiscal emergency in December and the Pooled Money Investment (PMI) Board suspended PMI Account loans (covering bond funded projects). No new contracts could be awarded. There was concern that ongoing construction projects would have to be suspended, although that did not ultimately occur.

Beginning with the January 2009 meeting, allocations were limited to emergency and safety projects only. On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 (Recovery Act). Some STIP projects were instead delivered with these Recovery Act funds. In April 2009, Commission staff recommended that STIP allocations be limited to Transportation Enhancement (TE) and Planning, Programming and Monitoring (PPM) and allocations resumed on this limited level in May 2009. In addition, there was a successful bond sale in April allowing for some Proposition 1B STIP allocations. Additional Proposition 1B STIP allocations were made based on private placement bond sales agreements. During this time, the Department of Transportation (Caltrans) began keeping a list of delivered but not yet allocated STIP projects. By June 30, 2009, 59 STIP projects programmed in 2008-09 for a total of $93.3 million were delivered, but not allocated. These projects remained eligible for allocation in 2009-10.

The 2009-10 allocation capacity is insufficient to fund the remaining 2008-09 projects and the 2009-10 projects. Due to this funding shortfall,

The 2009-10 allocation capacity is insufficient to fund the remaining 2008-09 projects and the 2009-10 projects. Should the Legislature suspend Proposition 42 in the future, the Commission would be forced to delay projects over multiple years.



the Commission developed and adopted an allocation plan for the 2009-10 year of the STIP. Consistent with previous allocation plans, this plan was based on a set of principles, priorities and information received from Caltrans and regional transportation agencies, as well as recommendations of projects that could be delayed or funded from other sources. The Commission resumed its STIP allocations for the 2009-10 fiscal year in August, consistent with the adopted allocation plan.

Proposition 42 funding remains at risk as long as the state's General Fund budget remains in a deficit. Should the Legislature suspend Proposition 42 in the future, the Commission would be forced to delay projects over multiple years. The Commission recognizes that the Administration and the Legislature face serious challenges in resolving continuing budget deficits. However, under the current funding structure, these are the only funds available to help Californians tackle mobility issues while stimulating the state's faltering economy.

2010 STIP Fund Estimate

The development of the 2010 STIP began this year with the Commission's adoption of the 2010 STIP fund estimate assumptions on June 10, 2009, and the adoption of the STIP fund estimate and amendments to the STIP guidelines on October 14, 2009. The Commission had exercised its option under state law to delay the adoption of the fund estimate beyond the statutory August 15 date because of state budget delays. The Commission will adopt the 2010 STIP on May 19, 2010.

The 2010 STIP fund estimate assumptions provide the basis for forecasting available capacity for the 2010 STIP and State Highway Operation and Protection Program (SHOPP). Key assumptions include:

- Fuel Excise Tax revenues continue to decrease by 2.2 percent into 2010-11, then revenues will increase by 0.9 percent per year.
- Weight Fee revenues will increase by 1.7 percent each year over the fund estimate period.
- Federal Obligation Authority remains at the $3.05 billion level (same as 2008-09 actual) through the fund estimate period. The August redistribution is assumed to be $106 million per year based on the past five-year average.
- PTA revenues from gasoline and diesel fuel sales tax are based on historical revenues and trends, with revenues from gasoline sales tax resulting in $311 million and revenues from diesel fuel sales tax resulting in $1.4 billion over the fund estimate period.
- Proposition 42 revenues, assuming an average gasoline price of $2.50 over the fund estimate period, will produce an average annual transfer of $1.5 billion, with approximately $605 million retained in the TIF for the STIP. The fund estimate also assumes that the Legislature will not suspend Proposition 42 over the fund estimate period.
- Any unallocated Proposition 1B TFA funded projects will be allocated in 2009-10.

The 2010 STIP fund estimate, for the five year period of 2010-11 through 2014-15, identifies approximately $370 million in net new capacity available mainly from the two years added to the STIP (2013-14 and 2014-15) as well as net decreases in capacity for the earlier years. This $370 million includes $197 million in federal TE funds, $99 million from the TIF and the TFA, and $75 million in the PTA. In addition, programming of the 2010 STIP will include $3.1 billion in carryover capacity from projects carried over from the 2008 STIP.

These numbers do not reflect the current year issues, where revenues have not been sufficient to fund current STIP programming. This will result in delays and reprogramming of 2009-10 projects into 2010-11 and beyond. The following tables show available STIP capacity over the six-year period including 2009-10.

2010 STIP Shares and Targets

The 2010 STIP fund estimate indicates that there is no new programming capacity in either the PTA or in the flexible fund sources (made up of TIF and TFA). Including the current 2009-10 fiscal year, there is a projected reduced program capacity in both PTA (-$1 million) and flexible funds (-$81 million). Also, unlike prior cycles, the 2010 STIP fund estimate only contains STIP targets for the new statewide TE capacity of $195 million through 2014-15. Tables showing the fund estimate reconciliation to shares and the TE targets appear on the following pages. The flexible funds are significantly over-programmed (under-funded) in the early portion of the 2010 STIP period. The 2010 STIP will be smaller; no new projects will be added and a few of the existing projects may be removed or delayed.

Summary of 2010 Fund Estimate – STIP Capacity Over 6 Years (dollars in millions)

	Carryover Capacity (programmed)	New Capacity	Total
Public Transportation Account (PTA)	$888	$-1	$887
Highway/Roads (TIF Prop 42, TFA Prop 1B)	$3,260	$-81	$3,179
Federal Transportation Enhancement (TE)	$304	$195	$499
Total	**$4,452**	**$113**	**$4,565**

The following table is a breakdown of the $4.565 billion total STIP capacity by fiscal year.

Summary of 2010 Fund Estimate – STIP Capacity by Year (dollars in millions)

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Transit (PTA)	$5	$389	$244	$249	$0	$0	$887
Roads (TIF,TFA)	$999	$426	$426	$426	$451	$451	$3,179
Enhancement (TE)	$83	$83	$83	$83	$83	$84	$499
Total	**$1,087**	**$898**	**$753**	**$758**	**$534**	**$535**	**$4,567**

Any differences are due to rounding.

2010 STIP Fund Estimate

PUBLIC TRANSPORTATION ACCOUNT (PTA)

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	5-Year Total	6-Year Total
Target Capacity	$5	$390	$245	$250	$0	$0	$885	$890
Total Target Capacity	**$5**	**$390**	**$245**	**$250**	**$0**	**$0**	**$885**	**$890**
2008 STIP Program[1]	**$75**	**$319**	**$243**	**$251**	**$0**	**$0**	**$813**	**$887**
Changes to 2009 Orange Book[3]	$3	($3)	$0	$0	$0	$0	($3)	$0
Extensions	$0	$0	$0	$0	$0	$0	$0	$0
Delivered But Not Allocated	$1	$0	$0	$0	$0	$0	$0	$1
Advances	$0	$0	$0	$0	$0	$0	$0	$0
Net	**$79**	**$316**	**$243**	**$251**	**$0**	**$0**	**$810**	**$888**
Capacity for County Shares	**($74)**	**$71**	**$2**	**($1)**	**$0**	**$0**	**$72**	**($1)**
Cumulative	**($74)**	**($2)**	**($0)**	**($1)**	**($1)**	**($1)**		

NON-PTA (SHA, TIF, TFA)

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	5-Year Total	6-Year Total
Target Capacity	$1,081	$508	$508	$508	$533	$533	$2,590	$3,670
GARVEE Debt Service	($73)	($73)	($73)	($73)	($73)	($73)	($365)	($437)
TE State Match	($9)	($9)	($9)	($9)	($9)	($9)	($45)	($54)
Total Target Capacity[2]	**$999**	**$426**	**$426**	**$426**	**$451**	**$451**	**$2,180**	**$3,179**
2008 STIP Program[1]	**$848**	**$714**	**$654**	**$707**	**$0**	**$0**	**$2,076**	**$2,923**
Changes to 2009 Orange Book[3]	($4)	$0	($1)	$0	$0	$0	($1)	($6)
Extensions	$122	$7	$0	$0	$0	$0	$7	$129
Delivered But Not Allocated	$214	$0	$0	$0	$0	$0	$0	$214
Advances	$0	$0	$0	$0	$0	$0	$0	$0
Net	**$1,179**	**$721**	**$653**	**$707**	**$0**	**$0**	**$2,081**	**$3,260**
Capacity for County Shares	**($180)**	**($295)**	**($227)**	**($281)**	**$451**	**$451**	**$99**	**($81)**
Cumulative	**($180)**	**($475)**	**($702)**	**($983)**	**($532)**	**($81)**		

TRANSPORTATION ENHANCEMENTS (TE)

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	5-Year Total	6-Year Total
Target Capacity (Federal)	$74	$74	$74	$74	$74	$74	$371	$445
TE State Match	**$9**	**$9**	**$9**	**$9**	**$9**	**$9**	**$45**	**$54**
Total Target Capacity	$83	$83	$83	$83	$83	$83	$416	$499
2008 STIP Program[1]	**$82**	**$81**	**$74**	**$64**	**$0**	**$0**	**$219**	**$301**
Changes to 2009 Orange Book[3]	$2	($1)	($0)	($1)	$0	$0	($3)	($1)
Extensions	$2	$2	$0	$0	$0	$0	$2	$5
Advances	$0	$0	$0	$0	$0	$0	$0	$0
Net	**$86**	**$82**	**$73**	**$63**	**$0**	**$0**	**$218**	**$304**
Capacity for County Shares	**($3)**	**$1**	**$10**	**$20**	**$83**	**$83**	**$197**	**$195**
Cumulative	**($3)**	**($1)**	**$8**	**$28**	**$112**	**$195**		

TOTAL FE (PTA, NON-PTA and TE) CAPACITY

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	5-Year Total	6-Year Total
Total Capacity	($256)	($222)	($215)	($262)	$534	$534	$369	$113

Notes:
General note: Numbers may not add due to rounding.
[1] 2008 STIP from August 2009 "Orange Book."
[2] Includes TFA capacity of $573 million in 2009-10.
[3] Adjustments to 2009 "Orange Book" for Commission actions through September 2009.

2010 STIP TE Targets

County	TE Target
Alameda	5,299
Alpine/Amador/Calaveras	897
Butte	1,013
Colusa	266
Contra Costa	3,434
Del Norte	257
El Dorado LTC	649
Fresno	3,661
Glenn	283
Humboldt	1,026
Imperial	1,743
Inyo	1,398
Kern	4,830
Kings	721
Lake	438
Lassen	651
Los Angeles	32,417
Madera	651
Marin	1,003
Mariposa	264
Mendocino	968
Merced	1,169
Modoc	345
Mono	1,038
Monterey	1,881
Napa	621
Nevada	541
Orange	9,796
Placer TPA	1,030

County	TE Target
Plumas	393
Riverside	6,941
Sacramento	4,552
San Benito	340
San Bernardino	9,100
San Diego	10,734
San Francisco	2,707
San Joaquin	2,385
San Luis Obispo	1,926
San Mateo	2,822
Santa Barbara	2,192
Santa Clara	6,208
Santa Cruz	1,094
Shasta	1,111
Sierra	185
Siskiyou	768
Solano	1,624
Sonoma	2,007
Stanislaus	1,848
Sutter	417
Tahoe RPA	270
Tehama	558
Trinity	398
Tulare	2,265
Tuolumne	452
Ventura	3,216
Yolo	872
Yuba	319
Statewide Regional	145,994
Interregional	48,665
TOTAL	**194,659**

2009 REPORT ON COUNTY AND INTERREGIONAL SHARE BALANCES

Section 188.11 of the Streets and Highways Code mandates that the Commission maintain a record of STIP county share balances and that it make the balances through the end of each fiscal year available for review by regional agencies not later than August 15 of each year.

On August 1, 2009, the Commission issued its twelfth annual Report of STIP County and Interregional Share Balances. The report included the 2008 STIP adopted in May 2008, including technical adjustments approved in June and July 2008, and allocations and other actions approved through June 30, 2009. The balances in the report were based on the allocation capacity identified through 2012-13 in the 2008 STIP fund estimate, adopted in October 2007. The balances also included all current cash commitments made for Assembly Bill (AB) 3090 (Chapter 1243, Statutes of 1992) reimbursements.

The following table provides a summary of the status of each individual county share and the interregional share. The table displays the total share amount, the amount programmed, and the unprogrammed balance or balance advanced for each county and the interregional share.

Summary of STIP Share Balances

June 30, 2009 (dollars in thousands)

County	Share Amount	Share Programmed	Unprogrammed Balance	Balance Advanced
Alameda	$104,862	$93,060	$11,802	$0
Alpine-Amador-Calaveras	10,539	5,540	4,999	0
Butte	32,110	26,562	5,548	0
Colusa	5,986	4,864	1,122	0
Contra Costa	141,604	115,127	26,477	0
Del Norte	8,208	22,707	0	14,499
El Dorado LTC	21,357	28,862	0	7,505
Fresno	82,206	81,884	322	0
Glenn	9,889	8,896	993	0
Humboldt	26,359	20,059	6,360	0
Imperial	59,392	59,148	244	0
Inyo	44,341	34,151	10,190	0
Kern	264,073	266,511	0	2,438
Kings	46,458	66,794	0	20,336
Lake	25,478	21,843	3,635	0
Lassen	21,794	18,289	3,505	0
Los Angeles	1,206,902	1,096,530	10,372	0
Madera	29,248	26,413	2,835	0
Marin	31,606	59,150	0	27,544
Mariposa	9,800	7,591	2,209	0
Mendocino	50,637	50,547	90	0
Merced	43,922	45,782	0	1,860
Modoc	12,669	13,122	0	453
Mono	36,954	28,532	8,422	0
Monterey	160,049	165,083	0	5,034
Napa	38,466	38,696	0	230
Nevada	33,651	28,604	5,047	0
Orange	395,854	395,640	214	0
Placer TPA	(42,208)	10,957	0	53,165
Plumas	18,169	10,316	7,853	0
Riverside	266,836	285,169	0	18,333

continued on next page

Summary of STIP Share Balances
June 30, 2009 (dollars in thousands)

County	Share Amount	Share Programmed	Unprogrammed Balance	Balance Advanced
Sacramento	69,368	65,082	4,286	0
San Benito	11,824	21,716	0	9,892
San Bernardino	537,995	467,007	70,988	0
San Diego	125,314	129,011	0	3,697
San Francisco	91,317	90,974	343	0
San Joaquin	124,208	109,802	14,406	0
San Luis Obispo	66,357	65,169	1,188	0
San Mateo	120,963	118,075	2,888	0
Santa Barbara	117,565	123,380	0	5,815
Santa Clara	84,752	123,140	0	38,388
Santa Cruz	47,705	44,124	3,581	0
Shasta	11,490	5,178	6,312	0
Sierra	7,318	7,342	0	24
Siskiyou	19,469	18,777	692	0
Solano	82,952	81,780	1,172	0
Sonoma	89,154	110,228	0	21,074
Stanislaus	55,389	43,927	11,462	0
Sutter	(496)	6,858	0	7,354
Tahoe RPA	16,103	13,566	2,537	0
Tehama	30,260	24,836	5,424	0
Trinity	23,352	22,620	732	0
Tulare	117,647	117,794	0	147
Tuolumne	25,292	25,359	0	67
Ventura	68,213	71,310	0	3,097
Yolo	9,561	12,214	0	2,653
Yuba	11,093	1,307	9,786	0
Statewide Regional	$5,061,376	$5,057,005	$247,976	$243,605
Interregional	1,768,289	1,791,073	0	22,784
TOTAL	**$6,829,665**	**$6,848,078**	**$247,976**	**$266,389**

2008-09 PROJECT DELIVERY

The Commission tracks delivery for projects programmed and funded from the STIP, the SHOPP, the Regional Surface Transportation Program (RSTP), and the Congestion Mitigation and Air Quality (CMAQ) program. For the STIP and SHOPP, the Commission measures delivery in terms of allocations made to projects programmed for each fiscal year. For the RSTP and CMAQ programs, under which federal funds are programmed directly by regional agencies, the measure of delivery is the obligation of the federal funds by a local agency. Project delivery (ready for STIP construction allocation or federal obligation) was less than 100 percent in 2008-09 for Caltrans and local agencies due to the severe economic crisis and the lack of allocation capacity.

STIP Project Delivery

The Commission tracks project allocations as scheduled in the STIP. For Caltrans projects, the Commission allocates project funding only for construction capital outlay. The Commission does not allocate funds for Caltrans support activities (including environmental, design, right-of-way support, and construction engineering), and it allocates right-of-way capital outlay funds on an annual lump sum basis, not by specific project.

The Commission allocated funds to 36 of the 42 originally scheduled projects for 2008-09, an 86 percent project delivery rate. In 2008-09, the Commission allocated $232.4 million to Caltrans STIP projects.

For the six remaining projects, the Commission granted deadline extensions to four projects valued at $91.77 million, and Caltrans allowed two projects valued at $1.193 million to lapse.

The following table summarizes the 2008-09 STIP delivery record and compares it against the two prior years:

Caltrans STIP Delivery (dollars in millions)

	2006-07		2007-08		2008-09	
	Dollars	Projects	Dollars	Projects	Dollars	Projects
Programmed	$235.10	50	$1,106.21	51	$370.475	42
Extensions	-$2.15	-3	-$16.51	-3	-$91.77	-4
Allocation Savings						
Lapsed	-$0.04	-1	-$4.38	-3	-$1.193	-2
Delivered as Programmed	$232.91	46	$1,085.32	45	$277.512	36
Percent of Projects		92%		88%		86%
Advanced	$174.44	12	$9.68	2		
Delivered, with Advances	$407.35	58	$1,095.00	47	$277.512	36
Percent of Dollars	175%		99%			
Prior-Year Extensions Delivered	$37.54	6	$10.00	4	$3.079	1
Total Delivered	$444.89	64	$1,105.00	51	$280.591	37
Funded by Allocation	$444.89	64	$1,105.00	51	$232.400	24
Funded with Non-STIP funds (primarily ARRA)					$6.883	4
Placed on Pending List, Not Funded	$0.00	0	$0	0	$41.308	9

Local STIP Delivery (dollars in millions)

	2006-07		2007-08		2008-09	
	Dollars	**Projects**	**Dollars**	**Projects**	**Dollars**	**Projects**
Programmed	$391.72	304	$883.41	396	$543.085	257
Ineligible per Allocation Plan						
Total Eligible for Delivery	$391.72	304	$883.41	396	$543.085	257
Extensions	-$26.26	-29	-$23.77	-28	-$35.414	-29
Lapsed	-$40.65	-49	-$35.90	-40	-$15.366	-24
Delivered as Programmed	$324.81	226	$823.74	328	$492.305	204
Percent of Projects		74%		83%		79%
Percent of Dollars	83%		93%		%	
Advanced	$55.84	21	$4.77	8		
Delivered, with Advances	$380.65	247	$828.51	336	$492.305	204
Prior-Year Extensions Delivered	$84.82	61	$15.23	23	$22.462	21
Total Delivered	$465.47	308	$843.74	359	$514.767	225
Funded by Allocation	$465.47	308	$843.74	359	$440.717	169
Funded through AB 3090					$18.432	1
Funded with Non-STIP Funds (ARRA)					$3.613	5
Placed on Pending List, Not Funded	$0.00	0	$0.00	0	$52.005	50

For local agency projects, unlike Caltrans projects, the Commission allocates all programmed STIP funds and tracks each discrete programming component (environmental, design, right-of-way, and construction) as a separate project.

The Commission allocated funds to 204 of the 257 originally scheduled projects for 2008-09, a 79 percent project delivery rate. In 2008-09, the Commission allocated $440.717 million to local agency STIP projects.

For the 53 remaining projects, the Commission granted deadline extensions to 29 projects valued at $35.414 million and local agencies allowed 24 projects valued at $15.366 million to lapse. The lapsed $15.366 million reverted to county share balances to be available for future programming.

SHOPP Project Delivery

Caltrans delivered 245 of the 234 originally scheduled projects for 2008-09, a 105 percent delivery rate. The variance includes projects that are not typically included in the approved SHOPP, but represent a delivery effort by Caltrans and, for record keeping purposes, are accounted for in the SHOPP delivery report. These categories of projects include minor projects, emergency and seismic retrofit projects allocated by Caltrans under Commission Resolution G-11, and SHOPP administered TE projects. In 2008-09, the Commission allocated $1.557 billion to SHOPP projects.

The following table summarizes the 2008-09 SHOPP delivery record and compares it against the prior two years:

Caltrans SHOPP Delivery (dollars in millions)

	2006-07		2007-08		2008-09	
	Dollars	**Projects**	**Dollars**	**Projects**	**Dollars**	**Projects**
Planned	$1,331	253	$1,839	256	$1,475	234
Delivered	$1,366	258	$2,082	265	$1,557	245
Percent	103%	102%	112%	104%	106%	105%

Caltrans delivered 245 of the 234 originally scheduled SHOPP projects for 2008-09, a 105 percent delivery rate.

Caltrans Annual Right-of-Way Allocation

Commission Resolution G-91-1 authorizes Caltrans to suballocate funds from the Commission's annual allocation for the total right-of-way capital program to individual projects for the acquisition of right-of-way, capital relocation of utilities, and other necessary right-of-way activities. Caltrans is also authorized to allot funds for acquisition of hardship and protection parcels when circumstances warrant such acquisitions. During 2008-09, Caltrans initially requested and the Commission allocated $235.9 million for right-of-way activities. This amount was adjusted to change reporting of Proposition 1B bond funded right-of-way to the appropriate bond reports. The right-of-way allocation was decreased to $231.3 million in December 2008 to account for removal of Proposition 1B bond State Route (SR) 99 Corridor Account funds from the lump sum. Caltrans spent the entire $231.3 million on right-of-way activities in 2008-09.

Environmental Document Delivery

Tracking the completion of environmental documents is particularly important in flagging possible delays of future construction projects. In 2008-09, Caltrans achieved a 91 percent delivery rate for environmental document delivery, completing 33 draft and 136 final environmental documents, and one Notice of Preparation. Of these, 65 were presented to the Commission for approval of future funding. In addition, Commission staff processed 37 environmental documents for local agencies and presented them to the Commission for approval of future funding.

Local RSTP and CMAQ Projects

AB 1012 (Chapter 783, Statutes of 1999) was enacted with a goal of improving the delivery of transportation projects. The AB 1012 "use-it-or-lose-it" provision states that regional agency CMAQ and RSTP funds that are not obligated within the first three years of federal eligibility are subject to reprogramming by the Commission in the fourth year.

Caltrans monitors the obligation of funds apportioned to each region, reports the status of those apportionments to the Commission quarterly, and provides written notice to the regional agencies one year in advance of any apportionment reaching its three year limit. A region with an apportionment within one year of the limit is required to develop and implement a plan to obligate its balance before the three year limit is reached.

Caltrans released its AB 1012 "use-it-or-lose-it" notices for the 2006-07 Federal Apportionments in November 2008. At that point, the unobligated amount subject to redirection totaled $58 million. By June 30, 2009, all but approximately $22 million had been obligated. Of the remaining $22 million, $11.8 was programmed to one agency, the Riverside County Transportation Commission.

Other Local Assistance Projects

Local agencies have dedicated considerable effort toward improving the delivery of local RSTP and CMAQ projects. The 2008-09 local assistance appropriation is in its first year of availability and will continue for the next two years. The following table shows how the Commission's 2008-09 local assistance allocations, totaling $1.49 billion, were used by local agencies in the first year of availability (as of June 30, 2009) and provides a comparison with the usage of prior first year availability.

For the RSTP and CMAQ programs, allocations applied to transit projects are transferred to the Federal Transit Administration (FTA). Those transfers are displayed separately on the table and included in the "use of allocation" figures for RSTP and CMAQ.

Use of Local Assistance Allocations, First Year of Availability (dollars in thousands)

	2006-07		2007-08		2008-09	
Category	**Allocation**	**Use**	**Allocation**	**Use**	**Allocation**	**Use**
RSTP	$382,458	$102,974	$417,450	$113,968	$429,197	$131,261
RSTP Match & Exchange	58,150	52,292	57,558	50,747	57,849	53,429
CMAQ	411,367	31,103	404,269	164,374	407,874	122,991
FTA Transfers	________	228,321	________	80,118	________	170,177
Subtotal, RSTP/CMAQ	$851,975	$414,690	$879,277	$409,207	$894,920	$477,858
Br. Inspection & Match	3,375	362	3,375	0	3,375	467
Br. Rehab & Replacement	138,406	104,640	116,945	180,638	70,572	100,175
Bridge Seismic Retrofit	94,551	6,423	104,000	30,967	159,385	55,740
RR Grade Crossing						
Protection	8,009	0	11,195	246	11,716	0
Maintenance	1,000	0	2,000	2,000	2,000	0
Grade Separations	15,000	10,000	15,000	15,000	15,000	9,859
Hazard Elimination/Safety	19,961	4,191	30,757	5,295	47,212	7,359
High Risk Rural Roads	7,435	0	7,098	2,522	7,428	1,615
Safe Routes to School	41,624	68	40,797	6,649	44,922	8,431
Freeway Service Patrol					25,479	22,476
High Priority Projects	215,109	50,735	196,605	111,570	208,170	64,970
Miscellaneous	3,625	36,770	2,625	124,152	4,700	30,936
Total	**$1,400,070**	**$627,879**	**$1,409,674**	**$888,246**	**$1,494,879**	**$779,886**

TRAFFIC CONGESTION RELIEF PROGRAM

The Traffic Congestion Relief Act of 2000 (AB 2928, Chapter 91, Statutes of 2000) and Senate Bill (SB) 1662 (Chapter 656, Statutes of 2000) created the Traffic Congestion Relief Program (TCRP), the Traffic Congestion Relief Fund (TCRF), and committed $4.909 billion to 141 specific projects designated in law. The TCRF was scheduled to receive revenues for the TCRP from $1.595 billion in 2000-01 from a General Fund transfer and directly from gasoline sales tax revenues, and $3.314 billion in transfers from the TIF over five years in which the transfers were to be $678 million per year for the first four years and the balance of $602 million in the fifth year.

The Commission approved $4.611 billion in applications, including at least a partial application for each of the 141 designated projects.

AB 438 (Chapter 113, Statutes of 2001) delayed the five-year schedule for the TIF transfers by two years, from the original 2001-02 through 2005-06, to 2003-04 through 2007-08. AB 438 also authorized a series of loans to the General Fund, including a $482 million loan from the TCRF.

The Governor proposed to repay the loan with tribal gaming revenues. The current projection is that 2011-12 is the earliest tribal gaming funds are expected to be available to begin repaying the $482 million TCRF loan balance.

Proposition 42 transfers were partially suspended in 2003-04 ($389 million) and fully suspended in 2004-05 ($678 million), with just enough transferred to reimburse prior TCRP allocations. A total of $1.067 billion in Proposition 42 transfers was suspended and loaned to the General Fund. After a $323 million repayment in 2006-07 the loan balance was $744 million.

Proposition 1A, approved by voters in November 2006, addressed the Proposition 42 suspensions occurring on or before July 1, 2007, and requires that the balance be repaid no later than June 30, 2016, and that the repayments made in each fiscal year shall not be less than one-tenth of the total amount remaining to be repaid. The $744 million balance is being repaid in nine equal installments of $82.7 million per year through 2015-16.

The Commission has approved $4.611 billion in applications through October 2009, including at least a partial application for each of the 141 designated projects. Application approval is equivalent to project programming, and it defines the scope, cost, and schedule of a project or project phase, and it generally includes expenditures projected for future years. The Commission has approved $3.848 billion in allocations through October 2009. Caltrans reports that the total expended through October 2009 is $3.058 billion. This is $181 million more than was expended through October 2008.

After Proposition 1A payments in 2007-08, 2008-09 and 2009-10, the outstanding Proposition 42 loan balance is $496.1 million. Thus, combined with the $482 million TCRF loan balance, just over $968 million remain for future TCRP allocations. Repayment of the $968 million is scheduled to be completed by FY 2018-19.

In September 2008, the Commission adopted a TCRP Allocation Plan in consultation with Caltrans and regional agencies taking into account project priorities and anticipated annual funding levels for future fiscal years (beyond 2008-09). The allocation plan consisted of two tiers: Tier 1 included projects that would receive higher priority for funding in the year programmed from the annual Proposition 1A loan repayments, the only reliable funds available for future TCRP allocations. Tier 2 includes all other non-Tier 1 projects which would be allocated on a first-come, first-served basis only after the annual Tier 1 commitments have been met. Tier 2 projects would depend on the availability of Tribal Gaming Bonds, or until a legislative resolution of the TCRP shortfall is in place.

The TCRP Allocation Plan estimates the combined allocation need for 2009-10 and 2010-11 at $426.6 million. A combined shortfall of $261.2 million is projected as only $165.4 million is expected to be available for TCRP allocations for these two years. The shortfall would be significantly larger if not for the commitment of local funds up front and deferral of the reimbursement with TCRP funds over several years in the future.

In 2009, the Commission allocated a total of $74.6 million to TCRP projects. Information for each project, including authorized TCRP funding, amount approved, allocated and expended as of October 2009, can be found at: http://www.dot.ca.gov/hq/transprog/ocip/tcrp/exediturestcrp.pdf

In September 2008, the Commission adopted a TCRP Allocation Plan in consultation with Caltrans and regional agencies taking into account project priorities and anticipated annual funding levels for future fiscal years.

PROPOSITION 1B HIGHWAY SAFETY, TRAFFIC REDUCTION, AIR QUALITY, AND PORT SECURITY BOND ACT OF 2006

Proposition 1B, approved by the voters in November 2006, authorized the issuance of $19.925 billion in state general obligation bonds for specific transportation programs intended to relieve congestion, facilitate goods movement, improve air quality, and enhance the safety of the state's transportation system. These transportation programs included the Corridor Mobility Improvement Account (CMIA), SR 99 Corridor Account, Trade Corridors Improvement Fund (TCIF), SLPP, Local Bridge Seismic Retrofit Account (LBSRA), Highway-Railroad Crossing Safety Account (HRCSA), Traffic Light Synchronization Program (TLSP), and the augmentation of the existing STIP and the SHOPP. Consistent with the requirements of Proposition 1B, the Commission programs and allocates bond funds in each of the above-mentioned programs.

After the passage of Proposition 1B, Governor Schwarzenegger issued Executive Order S-02-07 that requires the Commission to ensure that bond proceeds are expended in a manner consistent with the provisions of either the applicable bond act and the State General Obligation Bond Law or laws pertaining to state lease revenue bonds and all other applicable state and federal laws. The executive order also requires that the Commission establish and document a three-part accountability structure for bond proceeds and requires that information be available to the public in a transparent and timely manner.

SB 88 (Chapter 181, Statutes of 2007), a trailer bill to the Budget Act of 2007, also includes implementation and accountability requirements for Proposition 1B projects and further defines the role of the Commission as the administrative agency for certain bond programs. SB 88 requires project nominations to include project delivery milestones and identifies reporting requirements as a condition of allocating bond funds. SB 88 also requires the Commission to approve or direct the recipient agency to modify its corrective plan when project costs are anticipated to exceed the approved project budget or the recipient agency is considering a reduction in the project scope to remain within budget.

Consistent with the mandates of Proposition 1B, Executive Order S-02-07 and SB 88, the Commission has developed an accountability implementation plan to communicate the Commission's expectations and its intent to exercise programmatic oversight for the delivery of bond funded projects with regard to scope, cost, schedule and benefits. The accountability implementation plan allows a review of the project's progress on a quarterly basis, and requires the recipient agency to develop a corrective plan to address anticipated deviations or variances from the approved project baseline agreement. Efficiency measures for possible cost increases or schedule delays are addressed on an ongoing basis by the project team and documented through the corrective plans.

A key element of bond accountability is the audit of bond project expenditures and outcomes. The Commission's accountability implementation plan includes provisions for the audit of bond projects. In order to ensure that the Commission is meeting the auditing requirements of an administrative agency, as mandated by Executive Order S-02-07 and SB 88, the Commission entered into a Memorandum of Understanding with the Department of Finance to perform the required audits of Proposition 1B projects, effective July 1, 2009.

Through June 30, 2009, the Commission has committed $10.771 billion of the $11.625 billion of the Proposition 1B funds within its purview. The remaining $855 million represents primarily SLPP funds, which are to be programmed over a five-year period on a formula basis. The Commission has allocated $3.943 billion of the programmed Proposition 1B funds, primarily to projects that were ready to commence construction.

Commitments & Allocations
As of June 30, 2009 (dollars in thousands)

Program	Available	Committed	Allocated
Corridor Mobility Improvement Account	$4,500,000	$4,489,707	$1,878,905
State Route 99 Corridor Account	$1,000,000	$1,000,000	$28,964
Trade Corridors Improvement Fund	$2,000,000	$2,000,000	$169,717
State Transportation Improvement Program Augmentation	$2,000,000	$2,000,000	$1,411,061
State Highway Operations and Protection Program	$500,000	$500,000	$304,000
Traffic Light Synchronization Program	$250,000	$250,000	$62,687
Local Bridge Seismic Retrofit Account	$125,000	$125,000	$34,500
Highway-Railroad Crossing Safety Account	$250,000	$234,473	$6,000
State-Local Partnership Program Account	$1,000,000	$171,496	$47,214
	$11,625,000	$10,770,676	$3,943,048

Through June 30, 2009, the Commission has committed $10.771 billion of the $11.625 billion of the Proposition 1B funds within its purview. The Commission has allocated $3.943 billion of the programmed Proposition 1B funds, primarily to projects that were ready to commence construction.

As with almost any state program during the 2008-09 fiscal year, the most pressing issue for the Proposition 1B programs has been the state's ongoing financial challenges and the limited availability of cash to fund projects. In December 2008, the Pooled Money Investment Board (PMIB) suspended disbursements from the Pooled Money Investment Account (PMIA), which provides short term financing for bond projects. In response to the actions of the PMIB, the Commission suspended allocations for Proposition 1B bond projects, impacting 98 projects with total construction costs of $2.1 billion (including $1.7 billion from Proposition 1B) planned for award between January and June 2009. The shortage of bond funds also threatened to stop work on Proposition 1B projects that were under construction at the time of the PMIB suspension of disbursements.

Private placement bond sales to the Bay Area Metropolitan Transportation Commission, the Los Angeles Metropolitan Transportation Authority, and the San Bernardino Associated Governments provided funding to specific Proposition 1B projects in those regions, alleviating some of the impacts of the funding crisis. Ultimately, the revised Budget Act passed in February 2009 enabled the State Treasurer's Office to sell bonds and bond sales in March and April provided funding to the bond projects under construction and allowed the Commission to allocate to the projects that had been deferred during the PMIB suspension. However, the bond sales in March and April, as well as a subsequent bond sale in October, only provided funding for these projects through June 2010. In addition, given the lack of bond funding for new Proposition 1B projects, the Commission has been unable to allocate to projects ready for construction since June 2009. As of October 2009, 37 Proposition 1B projects representing more than $400 million in bond funds are ready for construction (delivered) and awaiting allocation. Until such time as bond funds are available for new projects, the number of projects delivered and awaiting allocation will continue to grow.

Due to the lack of bond funding for new projects since June 2009, the Commission and project sponsors have used alternate funding strategies to keep some projects on schedule for construction. In some instances, project sponsors have requested and the Commission has approved alternate funding plans, such as consolidating non-bond funding on project segments currently ready for construction and bond funding on segments scheduled for construction in later years. Private placement bond sales, such as those completed in the spring of 2009, are available for project sponsors with sufficient financial resources to purchase the necessary bonds. AB 672 (Chapter 463, Statutes of 2009) which takes effect in January 2010, authorizes the Commission to approve a Letter of No Prejudice (LONP) for projects in Proposition 1B programs, with the exception of the HRCSA. An approved LONP allows the project sponsor to expend its own funds to advance a Proposition 1B project and request reimbursement when bond funds are available.

Corridor Mobility Improvement Account

Proposition 1B authorized $4.5 billion in general obligation bond proceeds to be deposited in the CMIA. Funds in the CMIA are available for performance improvements on the state highway system, or major access routes to the state highway system on the local road system, that relieve congestion by expanding capacity, enhance operations, or otherwise improve travel times within these high-congestion travel corridors. Under the Bond Act, bond proceeds are available, upon appropriation by the Legislature, for allocation by the Commission for projects included in the CMIA program.

The Commission adopted the CMIA program on February 28, 2007. Subsequently, project baseline agreements were executed between the regional transportation planning agency executive directors, the Director of Caltrans, and the Commission's Executive Director. The baseline agreements set forth the agreed upon project scope, schedule, cost and expected benefits. These agreements also include the estimated cost of and the start and completion dates for the environmental, right-of-way, design, and construction phases of the project. These baseline agreements were adopted by the Commission on June 7, 2007.

The CMIA program represents a substantial investment in the state's transportation infrastructure. The adopted program utilizes $4.4 billion from the CMIA, which is limited to the cost of construction with a couple of minor exceptions, and is supplemented with $4.9 billion of state, local and federal funding resulting in a CMIA program of approximately $9.3 billion dedicated to the completion of 54 major transportation projects.

The status of individual projects in the CMIA program is reported to the Commission on a quarterly basis. The commitment to the scope, schedule and cost as outlined in project baseline project agreements has been demonstrated by the responsible agencies. During the year, the project sponsors and implementing agencies took actions necessary to ensure successful project delivery, even in these challenging economic times. Where necessary, the baseline agreements were amended to reflect scope, cost and schedule adjustments.

In 2008-09, the Commission allocated a total of $1.283 billion in CMIA dollars to projects that were ready to commence construction. In addition, as of October 2009, five CMIA projects totaling $153 million in Proposition 1B funding were ready for construction, subject to the availability of bond funding.

Specific project information for the CMIA projects, including total project cost, CMIA contribution, and the planned construction start date, can be found at http://www.bondaccountability.ca.gov/.

State Route 99 Corridor Account

Proposition 1B authorized $1.0 billion in general obligation bond proceeds to be deposited in the SR 99 Account. Funds in the SR 99 Account may be used for safety, operational enhancements, rehabilitation, or capacity improvements necessary to improve the SR 99 Corridor, traversing approximately 400 miles of the central valley of the state. Under the Bond Act, bond proceeds are available, upon appropriation by the Legislature, for allocation by the Commission for projects included in the SR 99 program.

The SR 99 program consists of projects totaling $1.3 billion dollars. This significant investment of SR 99 Account funds leverages additional commitments by the project sponsors of $320 million in state, local and federal funding.

The status of individual projects in the SR 99 program is reported to the Commission on a quarterly basis. The commitment to the scope, schedule and cost as outlined in project baseline project agreements has been demonstrated by the responsible agencies. During the year, the project sponsors and implementing agencies took actions necessary to ensure successful project delivery. Where necessary, the baseline agreements were amended to reflect scope, cost and schedule adjustments.

Specific project information for the SR 99 projects, including total project cost, SR 99 contribution, and the planned construction start date, can be found at http://www.bondaccountability.ca.gov/.

Trade Corridors Improvement Fund

Proposition 1B authorized $2 billion of state general obligation bonds for the TCIF program. Funds in the TCIF are available to the Commission, upon appropriation by the Legislature, for allocation for infrastructure improvements along federally designated "Trade Corridors of National Significance" in the state or along other corridors within the state that have a high volume of freight movement. Proposition 1B provides for highway capacity and operational improvements to more efficiently accommodate the movement of freight; for improvements in the freight rail system's ability to move goods from seaports, land ports of entry and airports to warehousing and distribution centers throughout California; truck corridor improvements, including dedicated truck facilities or truck toll facilities; border access improvements to enhance goods movement between California and Mexico; and surface transportation improvements to facilitate the flow of goods to and from the state's airports. Proposition 1B requires that the Commission allocate funds for trade infrastructure improvements in a manner that places an emphasis on projects that improve trade corridor mobility while reducing diesel particulate and other pollutant emissions.

In the guidelines adopted in November 2007, the Commission supported a corridor-based programming approach to the TCIF, which recognized and complemented the goods movement planning work already done within the major trade corridors. To promote this corridor-based approach, the Commission developed geographic programming ranges, in consultation with Caltrans and the Corridor Coalitions. The targets reflected the intent of the Commission to establish an ongoing goods movement program for the state, acknowledging that the infrastructure needs far exceed the $2 billion provided under Proposition 1B. The Commission also supported the funding strategy proposed by Caltrans and the Corridor Coalitions to increase TCIF funding by approximately $500 million from the State Highway Account

The over programming assumed that new revenue sources would become available and dedicated to funding the adopted TCIF program.

(SHA) to fund state-level priorities that are critical to goods movement. In addition, the targets reflected the Commission's intent to program approximately 20 percent more than the resulting $2.5 billion available from the TCIF and the SHA. This over programming assumed that new revenue sources would become available and dedicated to funding the adopted program. The geographic programming targets adopted in the guidelines are as follows:

TCIF Corridor Programming Ranges (dollars in millions)

	Low	High
Los Angeles/Inland Empire Corridor	$1,500	$1,700
San Diego/International Border Corridor	$250	$400
San Francisco/Central Valley Corridor	$640	$840
Other Corridors	$60	$80
Administration Fees	$40	$40
Total	**$2,490**	**$3,060**

The Commission adopted the initial TCIF program of 79 projects, valued at $3.088 billion, on April 10, 2008. In the adopting Resolution, TCIF-P-0708-01, the Commission stated its intent to prepare and adopt a program fund estimate in the fall of 2009 that would include all available revenue sources to support the over programming of the TCIF, to review the programming and delivery status of all projects in the spring of 2010 and to adopt amendments to the program as necessary to address the availability of funding or changes in project delivery schedules. Given that new revenue sources to fund the over programming are not available due to current economic conditions, the Commission is currently working with the Corridor Coalitions and project sponsors to develop strategies for the TCIF 2010 Program Review.

In 2008-09, the Commission allocated a total of $64.5 million in TCIF dollars to projects that were ready to commence construction.

Specific project information for the TCIF projects, including total project cost, TCIF contribution, and the planned construction start date, can be found at http://www.bondaccountability.ca.gov/.

Traffic Light Synchronization Program

Proposition 1B authorized $250 million for the TLSP for traffic light synchronization projects and other technology-based improvements to improve safety, operations and the effective capacity of local streets and roads. The TLSP funds are available, upon appropriation by the Legislature, to Caltrans, as allocated by the Commission.

The TLSP is subject to the provisions of the Government Code and includes $250 million under Section 8879.23(k)(2) for Caltrans to develop a program for traffic light synchronization projects or other technology-based improvements to improve safety, operations and the effective capacity of local streets and roads.

Section 8879.64(b), added by SB 88 (Chapter 181, Statutes of 2007), directed that $150 million from the TLSP be allocated to the City of Los Angeles for upgrading and installing traffic signal synchronization within its jurisdiction. SB 88 also designated the Commission as the administrative agency responsible for programming and allocating TLSP funds. On May 28, 2008, the Commission adopted a program of projects consisting of 21 projects totaling $147 million for the City of Los Angeles and 62 projects totaling $98 million for agencies other than the City of Los Angeles. Baseline agreements that set forth the project scope, delivery schedule, estimated costs and funding plan, and expected benefits were executed by the applicant agencies and Caltrans on October 28, 2008.

In 2008-09, the Commission allocated a total of $16.2 million in TLSP dollars to projects that were ready to commence construction. In addition, as of October 2009, 11 TLSP projects totaling $24.9 million in Proposition 1B funding were ready for construction, subject to the availability of bond funding.

Specific project information for the TLSP projects, including total project cost, TLSP contribution, and the planned construction start date, can be found at http://www.bondaccountability.ca.gov/.

Highway-Railroad Crossing Safety Account

Proposition 1B includes $250 million for the HRCSA program to fund the completion of high-priority grade separation and railroad crossing safety improvements. The HRCSA funds are available to Caltrans, upon appropriation by the Legislature and allocation by the Commission.

The HRCSA program is subject to the provisions of the Government Code and includes under Section 8879.23(j)(1), described in the Commission's guidelines as Part 1, $150 million for projects on the priority list established by the Public Utilities Commission (PUC) pursuant to the process established in Chapter 10 (commencing with Section 2450) of Division 3 of the Streets and Highways Code; and under Section 8879.23(j)(2), described in the Commission's guidelines as Part 2, $100 million for high-priority railroad crossing improvements that are not part of the PUC priority list process.

On August 28, 2008, the Commission adopted the HRCSA Program, programming $143.9 million for 12 Part 1 projects and $100.9 million for 11 Part 2 projects, a total of $244.8 million. Including $5 million for bond administrative fees, the total adopted program was $249.8 million.

Since the adoption of the HRCSA program the Commission approved several amendments reducing the program to $229.5 for 22 projects, leaving $15.5 million available for future programming. The project baseline agreements for all programmed HRCSA projects were approved by the Commission in 2008-09.

In 2008-09, the Commission allocated a total of $6 million in HRCSA dollars to the Park Boulevard at Harbor Drive Pedestrian Bridge project in San Diego, which is currently under construction. As of October 2009, two additional HRCSA projects totaling $12.9 million are ready for construction, subject to the availability of bond funding.

Specific project information for the HRCSA projects, including total project cost, HRCSA contribution, and the planned construction start date, can be found at http://www.bondaccountability.ca.gov/.

State-Local Partnership Program Account

Proposition 1B authorized $1 billion to be deposited in the SLPP Account to be available for allocation by the Commission over a five-year period, upon appropriation by the Legislature, to eligible transportation projects nominated by an applicant transportation agency.

In 2008, the Legislature enacted implementing legislation AB 268 (Chapter 756, Statutes of 2008) to add Article 11 (commencing with Section 8879.66) to Chapter 12.491 of Division 1, Title 2 of the Government Code. This defines the program, eligibility of applicants, projects and matching funds. The program is split into two sub-programs – a formula program to match local sales tax, property tax and/or bridge tolls (95 percent) and a competitive program to match local uniform developer fees (5 percent).

The Legislature appropriated $200 million for the SLPP in 2008-09, and an additional $200 million in 2009-10. Guidelines for 2008-09 were adopted by the Commission in December 2008, and the first projects were programmed in April 2009, for a total of $103.8 million. The guidelines were revised for 2009-10 and adopted in July 2009, and additional projects were programmed in September and October 2009. A total of $171.5 million has been programmed through October 2009.

The Commission allocated a total of $47.214 million in SLPP dollars to projects that were ready to commence construction ($40 million in 2008-09). In addition, as of October 2009, 15 SLPP projects totaling $71.9 million in Proposition 1B funding were ready for construction, subject to the availability of bond funding.

Specific project information for the SLPP projects, including total project cost, SLPP contribution, and the planned construction start date, can be found at http://www.bondaccountability.ca.gov/.

Local Bridge Seismic Retrofit Account

Proposition 1B authorized $125 million of state general obligation bonds for the LBSRA. The funds are available to the Commission, upon appropriation by the Legislature, to provide the 11.5 percent required match for federal Highway Bridge Program (HBP) funds available to the state for seismic work on local bridges, ramps, and overpasses, as identified by Caltrans.

In April 2007, Caltrans identified 479 local bridges deemed eligible to receive LBSRA funds. The 479 local bridges were the bridges remaining from the 1,235 local bridges initially identified as needing seismic retrofit under the Local Bridge Seismic Retrofit Program (LBSRP). The LBSRP was mandated by emergency legislation SB 36X (Chapter 18X, Statues of 1989) following the Loma Prieta earthquake. Progress of LBSRP projects is tracked on the federal fiscal year due to the fact that 88.5 percent of the funds used to retrofit the local bridges come from federal HBP funds.

In April 2008, Caltrans indicated that due to updated cost estimates received from local agencies, the available LBSRA funds were inadequate to provide the required local match. Subsequently, Caltrans exchanged up to $32.9 million of local share of federal HBP funds for state funds to accommodate the required match needs of the local seismic retrofit bridges. Caltrans deemed this exchange would fully fund the LBSRA required local match at $155.4 million ($122.5 million from the LBSRA and $32.9 million from the state exchange). The amount of $2.5 million in LBSRA funds were reserved for bond administration fees.

In May 2008, the Commission adopted the LBSRA guidelines and required local agencies responsible for delivery of local seismic retrofit projects to execute project baseline agreements that set forth project scope, cost and delivery schedule. In September 2008, Caltrans reported that all baseline agreements were executed with the exception of two Fresno County projects and a Cabrillo College project, which were executed in December 2008.

Subsequent actions by Caltrans and responsible local agencies resulted in reducing the total number of bridges eligible to receive LBSRA funds from 479 to 426.

- Nine bridges were no longer eligible to receive LBSRA funds: two bridges were already seismically retrofitted, one bridge was judged not to require seismic retrofit, two bridges were demolished/removed, and four bridges were found not to be owned by a public agency.

- Two bridges were no longer eligible to receive LBSRA funds: one bridge was found not to be owned by a public agency and one local agency declined usage of LBSRA funds to retrofit its bridge.
- 42 bridges owned by the Bay Area Rapid Transit (BART) district were de-federalized at the request of BART. BART decided to fund the seismic retrofit of these 42 bridges from other sources and will not seek federal HBP or state LBSRA funds.

At its July 2007 meeting, the Commission allocated $13.5 million of LBSRA funds to Caltrans for use as required local match for seismic retrofit work and authorized Caltrans to sub-allocate the $13.5 million to projects on a first-come, first-serve basis. The $13.5 million was based on 48 projects programmed for delivery in federal fiscal year 2007-08 (71 BART bridges were lumped together and identified as one local bridge project by Caltrans in the allocation request). As of September 30, 2008, Caltrans sub-allocated the entire $13.5 million to 52 projects, 21 projects programmed for delivery in federal fiscal year 2007-08 and 31 projects that were outside the 2007-08 federal fiscal year.

At its July 2008 meeting, the Commission allocated $21.0 million of LBSRA funds to Caltrans for further sub-allocation to 96 local projects programmed for delivery in federal fiscal year 2008-09. In addition, Caltrans exchanged $24.3 million of local share federal HBP funds for state funds for use on 227 BART bridges. Of the $24.3 million, Caltrans expected to allocate $10.2 million to BART to cover the match initially covered by BART with local funds in fiscal year 2007-08.

As of September 30, 2009, Caltrans sub-allocated only $2.9 million to 11 projects, five projects that were identified for delivery in federal fiscal year 2008-09 and six projects that were outside the 2008-09 federal fiscal year. Caltrans also allocated $8.9 million of the planned $24.3 million state exchange to 10 projects, eight projects that were programmed for delivery in federal fiscal year 2008-09 and two projects that were outside the 2008-09 federal fiscal year.

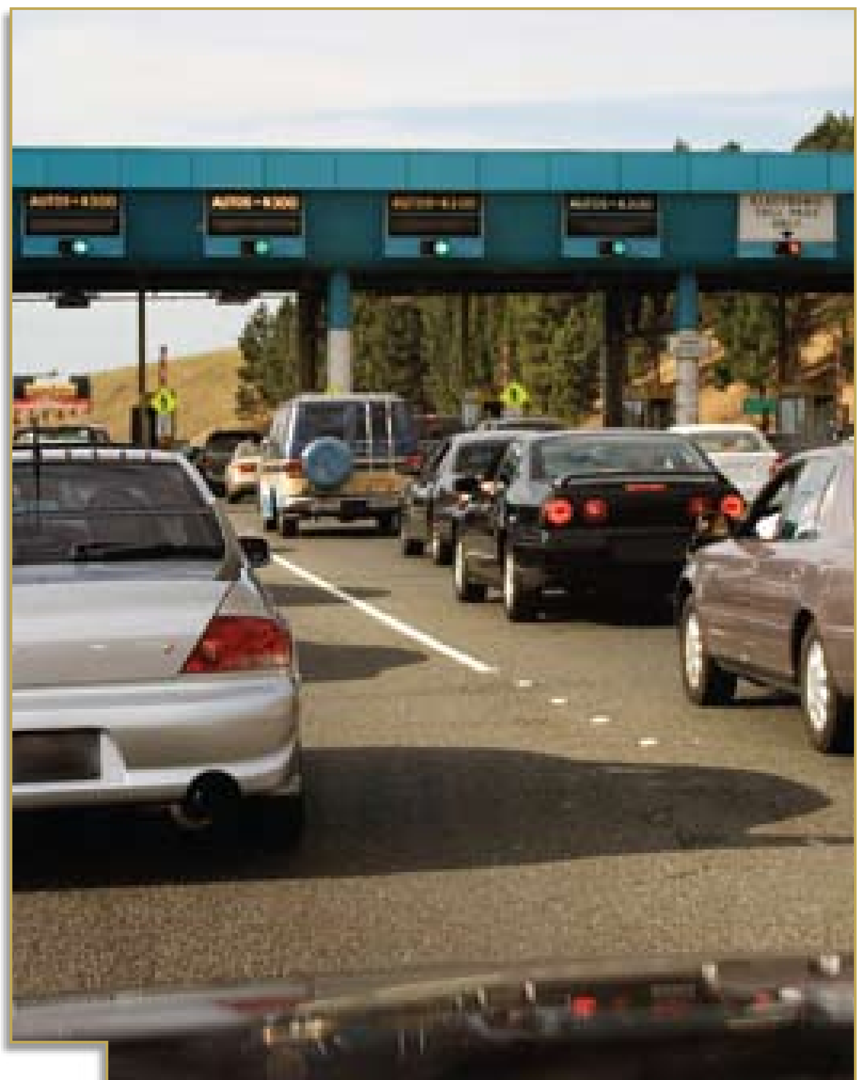
The state's ongoing budget crisis attributed to the delivery delays and irregularities of fiscal year 2008-09. By a letter, dated December 19, 2008, Caltrans advised local agencies not to enter into any new construction contracts or agreements that would rely on state funds including Proposition 1B bond funds, the main source of match money required to award local seismic retrofit projects. In response, local agencies reprogrammed 61 of the 96 fiscal year 2008-09 bridge projects into future years of the Federal Transportation Improvement Program (FTIP). Further, Caltrans did not request a 2009-10 LBSRA allocation before the start of the federal fiscal year.

Specific information on LBSRA eligible projects, including total cost, LBSRA contribution, and planned construction start date, can be found at http://www.bondaccountability.ca.gov/.

The state's ongoing budget crisis attributed to the delivery delays and irregularities of fiscal year 2008-09. By letter, dated December 29, 2008, Caltrans advised local agencies not to enter into any new construction contracts or agreements that would rely on state funds including Proposition 1B bonds funds.

HIGH OCCUPANCY TOLL (HOT) LANES

AB 1467 (Chapter 32, Statutes of 2006) authorizes that, until January 1, 2012, regional transportation agencies, in cooperation with Caltrans, may apply to the Commission to develop and operate high-occupancy toll (HOT) lanes, including the administration and operation of a value pricing program and exclusive or preferential lane facilities for public transit, as specified. The number of projects that may be approved is limited to four, two in Northern California and two in Southern California.



The Commission's role in implementing this legislation includes establishing eligibility criteria, determining whether each HOT lanes application is eligible, and holding public hearings in both Northern and Southern California for each eligible application. Under AB 1467, the Commission only determined the eligibility of the HOT lanes application. Actual approval of an eligible application was the purview of the Legislature, through enactment of a statute. However, AB 798 (Chapter 474, Statutes of 2009) eliminated the need for the Legislature to approve the HOT lanes applications.

In order for the Commission to determine whether a HOT lanes project is eligible under AB 1467, a nominating agency must provide evidence that the project is consistent with the Streets & Highways Code Sections 149-149.7; that there is cooperation with Caltrans and that the project is consistent with state highway system requirements; that the project is technically and financially feasible; that the project is consistent with the Regional Transportation Plan; and that there are performance measures established for project monitoring and tracking.

To date, the Commission has received two HOT lanes applications, both from Southern California. The Commission found the Public Partnership Application for HOT Lanes for the Interstate

15 Corridor and HOT Lane Project in Riverside County, submitted by the Riverside County Transportation Commission (RCTC), eligible in April 2008. The RCTC project proposes to add two Tolled Express Lanes and one General Purpose Lane in each direction from SR 60 to SR 74. The project also proposes to add one High Occupancy Vehicle (HOV) lane in each direction from SR 74 to the I-15/I-215 Interchange. Currently in the environmental phase, the project is scheduled to complete this phase in 2012 and start construction in 2015. As the project covers a corridor length of approximately 44 miles, construction will be segmented into several contracts, with completion of the final contract scheduled for 2019. A toll feasibility update is scheduled for completion in 2010.

In July 2008, the Commission made a finding that the Los Angeles Metropolitan Transportation Authority (LA Metro) application for the Los Angeles Region Express Lanes Project eligible under AB 1467. LA Metro proposes to convert existing HOV lanes on the I-110, I-10 and I-210 to HOT lanes that facilitate greater throughput of rapid buses, vanpools, and HOVs with three or more passengers.

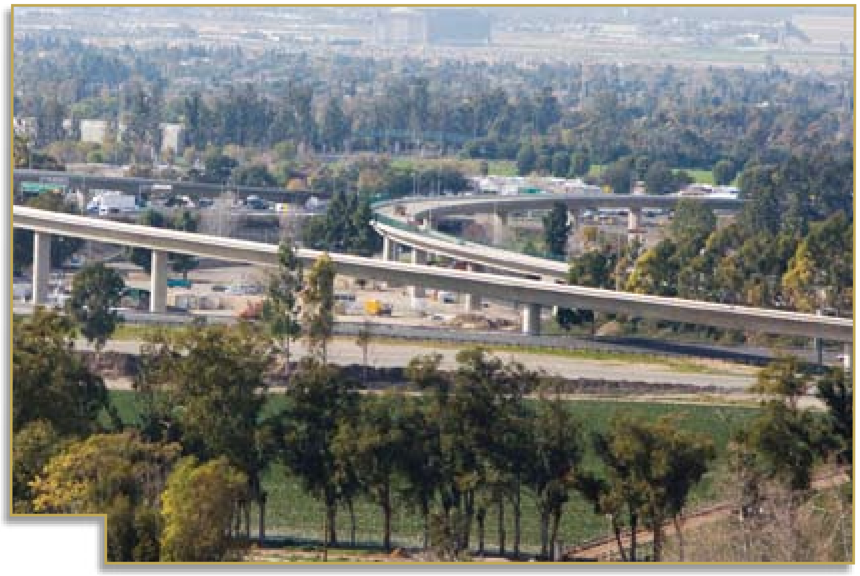
Subsequent to the Commission's finding of eligibility, LA Metro obtained legislative approval of the project under SB 1422 (Chapter 547, Statutes of 2008). SB 1422 imposed additional requirements on the Express Lanes Project, including the development of a public outreach and communications plan; an assessment of the impact to low income commuters; and a performance monitoring report from Caltrans and LA Metro at the completion of the demonstration period. The Public Outreach and Communications Plan was adopted in January 2009. LA Metro adopted a Toll Policy and established toll rates in July 2009 following six public hearings. The Low Income Commuter Assessment will be completed by the end of 2009. The Express Lanes Project is currently in the environmental phase, with completion of this phase scheduled for April 2010.

To date, the Commission has received two HOT lanes applications, both from Southern California.

RECOVERY ACT OF 2009

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 (Recovery Act). Among its many provisions, the Recovery Act provided for the apportionment of $2.57 billion in federal stimulus funds to California for "Highway Infrastructure Investment". The Recovery Act specified sub-allocation of 30 percent of these funds through the Surface Transportation Program (STP), but did not require sub-allocation of the remaining 70 percent. The state had 120 days to obligate half of the 70 percent of the stimulus funds not sub-allocated. That equated to approximately $900 million that had to be obligated by June 30, 2009. The remainder of the funds must be obligated by February 28, 2010.

AB 20 (Chapter 21, Statutes of 2009) provided that Recovery Act funds would be distributed statewide through the regional STP distribution formula, with $935 million made available to Caltrans for the SHOPP. AB 20 further allowed Caltrans to loan up to $310 million from the SHOPP Recovery Act funds to support Proposition 1B-funded projects that were stalled due to the state's inability to issue general obligation bonds. At its April 1, 2009 meeting, the Commission allocated $1.6 billion to Caltrans for sub-allocation to regional agencies and later that month approved the four projects recommended for SHOPP Recovery Act funding by Caltrans with future repayment to the SHA from future bond sales. The four projects are:



SD Rte 905	Construct 6 Lane Freeway, Phase 1B	TCIF	$78,300,000
LA Rte 405	Northbound HOV Lane	CMIA	$89,900,000
SBD Rte 215	Add Mix-flow, HOV and AUX lanes	CMIA/STIP	$49,100,000
CC/ALA Rte 24	Construct 4th Bore to Caldecott Tunnel	CMIA/STIP	$92,700,000

As of the close of the fiscal year, the Commission had allocated all of the $2.57 billion to Caltrans and regional agencies. The first obligation deadline of the Recovery Act was met, and to date approximately $2.1 billion has been obligated.

In addition to the funds available for Highway Infrastructure Investment, approximately $1.07 billion was available for transit purposes, of which $977 million has been obligated to date. There are also grant dollars available to the states for other purposes including the Transportation Investment Generating Economic Recovery (TIGER) program with $1.5 billion available nationwide, the Aviation program with $1.3 billion available nationwide (California awarded $86 million to 19 airports), and the High Speed and Intercity Passenger Rail Program with $8 billion available nationwide. California has submitted 83 applications totaling $2.35 billion for the TIGER program and 47 applications totaling $5.88 billion for the High-Speed and Intercity Passenger Rail Program.

PUBLIC-PRIVATE PARTNERSHIPS AND DESIGN-BUILD PROCUREMENT FOR TRANSPORTATION PROJECTS IN CALIFORNIA

In its 2006 Annual Report, the Commission recognized that the political and transportation environment of the time required developing a new California approach to public-private partnerships. The Commission suggested that such an approach would need to emphasize the need for public-public-private partnerships in which the state and regional transportation agencies enter into agreements that the private sector implements with appropriate public-sector oversight on toll rates, procurement, and implementation. The Commission also suggested that the next iteration of public-private partnership legislation needed to include design-build authority for at least the public-private partnership projects. The Commission recommended that the Legislature and the Administration revisit the public-private partnership issue in 2007, and suggested that the success of countries and other states with similar political, demographic, environmental, and transportation challenges suggests that the institutional challenges to public-private partnerships can be overcome.

In February 2009, Governor Arnold Schwarzenegger signed SB 4 (Chapter 2, Statutes of 2009) allowing the creation of an unlimited number of public-private partnerships in transportation and authorizing a design-build demonstration program.

Section 143 of the Streets and Highways Code, as amended by SB 4, authorizes Caltrans and regional transportation agencies to enter into comprehensive development lease agreements with public or private entities for transportation projects, commonly known as public-private partnership (P3) agreements. Section 143 further provides that P3 projects and associated lease agreements proposed by Caltrans or a regional transportation agency shall be submitted to the Commission, and that the Commission shall select and approve the projects before Caltrans or a regional transportation agency begins a public review process for the final lease agreement.

The Design-Build Demonstration Program was established in Chapter 6.5 (commencing with Section 6800) of Division 2, Part 1 of the Public Contract Code, as added by SB 4. The purpose of the program is described in Section 6800: "The design-build method of procurement authorized under this chapter should be evaluated for the purposes of exploring whether the potential exists for reduced project costs, expedited project completion, or design features that are not achievable through the traditional design-bid-build method. A demonstration program will allow for a careful examination of the benefits and challenges of design-build contracting on a limited number of projects. This chapter shall not be deemed to provide a preference for the design-build method over other procurement methodologies."

The Design-Build Demonstration Program authorizes use of the design-build method of procurement by local transportation entities for up to five projects and by Caltrans for up to ten projects, subject to project authorization by the Commission. The design-build projects authorized by the Commission for the demonstration program shall vary in size, type, and geographical location.

The Commission adopted its policy guidance for authorizing design-build procurement and approval of P3 projects in the fall of 2009. The Commission expects requests for design-build procurement authorization and public-private partnerships project approval to commence in early 2010.

SEISMIC SAFETY RETROFIT PROGRAM

California has more than 12,000 bridges on the state highway system in addition to 11,500 bridges on its local streets and roads network. Bridges are inspected at least once every two years per Federal Highway Administration (FHWA) requirements. Following the 1989 Loma Prieta earthquake, emergency legislation SB 36X established the Seismic Safety Retrofit Program (SSRP). The SSRP consisted of two components, a state highway system component where Caltrans is the seismic retrofit project delivery agent, and a local streets and roads component where local agencies or state agencies other than Caltrans are the seismic retrofit project delivery agent.

The state highway system component was further subdivided into three seismic retrofit subprograms:

- Phase 1 Seismic Program - initiated after the 1989 Loma Prieta earthquake. 1,039 bridges completed.
- Phase 2 Seismic Program - initiated after the 1994 Northridge earthquake. 1,155 bridges completed, four bridges remain to be completed.
- Toll Bridge Seismic Retrofit Program (TBSRP) - initiated after the 1989 Loma Prieta earthquake. Seven bridges completed, one bridge remains to be completed.

The current estimate to seismically retrofit the state highway system component is $12.46 billion: $1.08 billion for Phase 1 bridges which is already completed, $1.95 billion for Phase 2 bridges and $9.43 billion for the TBSRP bridges ($8.68 billion original seven TBSRP bridges and $750 million Antioch and Dumbarton bridges, added to the TBSRP by AB 1175 (Chapter 515, Statutes of 2009). Nearly $2 billion is required to seismically retrofit the 1,235 local streets and roads bridges identified as needing seismic retrofit following the 1989 Loma Prieta earthquake.

As of June 30, 2009, all but four of the Phase 2 bridges were completed. Of the remaining four bridges, three are under construction and one remains in the design stage. These four bridges are replacements of the Schuyler F. Heim Bridge on SR 47 in the City of Long Beach, the 5th Avenue Overhead on SR 880 in the City of Oakland, and the two High Street Separation Bridges on SR 880 in the City of Oakland. Caltrans expects to complete seismic retrofit work of the Schuyler Heim Bridge and 5th Avenue Overhead in mid-2013 and of the two High Street Separation Bridges in early 2014, a projected delay of 6 months from last year's report.

The Seismic Retrofit Bond Act of 1996 (Proposition 192) authorized the issuance of $2 billion in state general obligation bonds to fund the seismic retrofit of state highway system bridges. SB 60 (Chapter 327, Statutes of 1997) further limited the amount of Proposition 192 funds available to seismically retrofit state-owned toll bridges to $790 million. The other $1.21 billion was directed to the Phase 2 seismic retrofit effort. As of June 30, 2009, the amount of Proposition 192 funds allocated for Phase 2 seismic retrofit totaled $1.2 billion. The total amount of Proposition 192 funds allocated for toll bridge seismic retrofit as of June 30, 2009 is $789 million.

A total of $1.35 billion ($1.21 billion in Proposition 192 bond funds, and $140 million in SHA and Multi-District Litigation funds, expended prior to the passage of Proposition 192) was set aside to finance the retrofit of Phase 2 bridges. Of the $1.21 billion made available from Proposition 192 for the Phase 2 bridges, $1.181 billion has been allocated as of June 30, 2009. The $1.181 billion does not include the $81.2 million allocated for PMIA loan interest expenses as these costs are offset by the interest earned by the Surplus Money Investment Fund. Caltrans plans to utilize federal Highway Bridge Program (HBP) funds available through the SHOPP to complete the seismic retrofit projects, since the total cost to finish the Phase 2 bridges exceeds the remaining Proposition 192 unallocated balance of $29 million. Through June 30, 2009, $266.1 million in SHOPP funds has been allocated to four Phase 2 bridges - $145.8 million for the 5th Avenue Overhead and $120.3 million for the High Street Separation in the City of Oakland on SR 880. Caltrans estimates that an additional $312 million in SHOPP funds will be required to seismically retrofit the Schuyler Heim Bridge.

Seismic retrofit of the San Francisco Oakland Bay Bridge (SFOBB), the only remaining TBSRP project, was broken up into three main areas: the retrofit of the west span (Yerba Buena Island (YBI) to San Francisco) completed in July 2004, the retrofit of the west approach in San Francisco completed in January 2009, and the replacement of the east span (Oakland to YBI tunnel) that is expected to be completed, including the demolition of the existing east span, in September 2015. The replacement of the east span is split into four major components – a YBI Transition Structures, a Self-Anchored Suspension (SAS) Bridge, currently under construction, a Skyway structure completed in December 2007, and the Oakland Touchdown approach structure.

The YBI Transition Structures (YBITS) will connect the SAS Bridge to the existing YBI tunnel, transitioning the new side-by-side roadway decks to the upper and lower decks of the tunnel. The new transition structures will be cast-in-place reinforced concrete structures that will look very similar to the already constructed Skyway. Work on the transition structures will be completed under three separate contracts. Bids on the first of the three transition structures contracts (YBITS #1) are scheduled to be opened by the end of 2009. Over the 2009 Labor Day weekend, the SFOBB was closed to roll out a section of the existing bridge and roll in a new section that opened a 900-foot temporary detour viaduct from the YBI tunnel to the existing east span structure. Opening the temporary detour sets in motion the demolition of portions of the existing structure and the construction of the new transition structure between the YBI tunnel and the SAS Bridge.

Seismic retrofit of the San Francisco Oakland Bay Bridge, the only remaining Toll Bridge Seismic Retrofit Program project, was broken up into three main areas: retrofit of the west span, retrofit of the west approach and replacement of the east span.

The SAS is a steel bridge with components fabricated from around the world. Temporary steel structures have been and continue to be erected in the San Francisco Bay to support the SAS Bridge during construction. The prime contractor, a joint venture of American Bridge/Flour (ABF), has reported that fabrication of the steel tower and steel roadway boxes has fallen behind schedule. The complexity of the design and fabrication of the steel bridge has resulted in delays that will likely prevent the westbound opening of the new east span in 2012, but full opening of the east span is still expected to occur in 2013. The first shipment of roadway boxes (segments 1 through 4) is expected to depart Shanghai, China by the end of 2009. The shipment of the first tower segments is not expected until spring 2010. All

steel components undergo rigorous quality review by ABF and Caltrans at the fabrication facility to ensure compliance with contract specifications.

During the Labor Day weekend closure, Caltrans conducted a biennial inspection of the SFOBB and discovered a failed eyebar on the existing east span. A temporary repair to supplement the failed eyebar was completed during the scheduled Labor Day weekend closure. Unfortunately, the temporary repair itself failed during the evening rush hour on October 27, 2009, resulting in the immediate closure of the SFOBB. An improved supplemental system was reinstalled and the SFOBB was reopened on the morning of November, 2, 2009.

The Oakland Touchdown (OTD) approach structures will connect Interstate 80 in Oakland to the side-by-side roadway decks of the Skyway. The OTD will be constructed through two contracts. The first contract (OTD #1 already under construction and is 85 percent complete as of September 2009) will build the westbound lanes, as well as part of the eastbound lanes. The second contract (OTD #2) will complete the eastbound lanes but can not begin until westbound traffic is shifted onto the new east span so that a portion of the upper deck of the existing bridge that is in conflict with the new construction can be demolished.

The funding plan for the TBSRP was originally established by SB 60 and was updated for cost increases, especially on the SFOBB, by AB 1171 (Chapter 907, Statutes of 2001) and AB 144 (Chapter 71, Statutes of 2005)/SB 66 (Chapter 375, Statutes of 2005). AB 144/SB 66 significantly strengthened oversight activities for the TBSRP by creating a Toll Bridge Program Oversight Committee (TBPOC) comprised of the Director of Caltrans, the Executive Director of the Bay Area Toll Authority (BATA), and the Executive Director of the Commission. AB 144 also consolidated financial management of all toll revenue collected on state-owned toll bridges under the jurisdiction of BATA and required the Commission to adopt a schedule for the transfer of remaining dedicated state TBSRP funds to BATA. In addition, BATA received authority from the Legislature to set Bay Area tolls as necessary to cover any cost increases that would exceed the AB 144/SB 66 TBSRP cost estimate of $8.685 billion. With the passage and signing by the Governor of AB 1175 (Chapter 515, Statutes of 2009) BATA has initiated efforts to raise tolls on the seven state-owned toll bridges to, in part, fund the future seismic retrofit of the Antioch and Dumbarton bridges.

With the passage and signing by the Governor of AB 1175 BATA has initiated efforts to raise tolls on the seven state-owned toll bridges to, in part, fund future seismic retrofit of the Antioch and Dumbarton bridges.

Estimated Costs to Retrofit Toll Bridges

Bridge	
Benicia-Martinez	$177,830,000
Carquinez (eastbound)	114,130,000
Richmond-San Rafael	914,000,000
San Diego-Coronado	103,520,000
San Mateo-Hayward	163,510,000
Vincent Thomas	58,510,000
San Francisco-Oakland Bay Bridge	
West Span	307,900,000
West Span Approach	429,000,000
East Span Replacement	5,516,600,000
Subtotal	$7,785,000,000
Program Contingency	900,000,000
Total AB 144/SB 66 Estimate	$8,685,000,000
Antioch	267,000,000
Dumbarton	483,000,000
Total AB 1175 Estimate	$750,000,000
Grand Total	**$9,435,000,000**

Local Bridge Seismic Retrofit Program

Following the 1989 Loma Prieta earthquake, Caltrans was charged with the responsibility of identifying the seismic retrofit needs of all publicly owned bridges on the local streets and roads network, except for bridges in Los Angeles County and in the unincorporated areas of Santa Clara County. Caltrans, Los Angeles County and Santa Clara County identified 1,235 bridges on the local streets and roads network in need of seismic evaluation. As of June 30, 2009, of the 1,235 local bridges seven remain in the retrofit strategy development stage, 303 are in the design stage, 154 are under construction, 729 were either completed or were judged not to require seismic retrofitting and 42 were de-federalized at the request of the owner the Bay Area Rapid Transit District (BART) and will be retrofitted from BART's own internal funding sources. The total cost of the local bridge seismic retrofit program is roughly estimated at $2 billion. Approximately $792 million has been spent or obligated for local bridges as of June 30, 2009, leaving an estimated $1.2 billion needed to complete the remainder of the local retrofit work. Because 310 of the 1,235 bridges are still in the strategy development or design stage, the $1.2 billion estimate is subject to change. It is the responsibility of each public agency bridge owner to secure funding, environmental approvals, right-of-way clearances, and to administer the construction contract.

With the passage of Proposition 1B on November 7, 2006, a $125 million LBSRA was created. Funds from the LBSRA provide the 11.5 percent local match for the federal HBP funds used to retrofit the local bridges. Additional details on the LBSRA are available under the Proposition 1B discussion of this Annual Report.

STATE RAIL PROGRAM

State-supported intercity rail passenger service operates in three corridors:

- Capitol (Auburn-Sacramento-Oakland-San Jose)
- Pacific Surfliner (San Luis Obispo-Los Angeles-San Diego)
- San Joaquin (Bay Area/Sacramento-Fresno-Bakersfield, via bus to Los Angeles)

The Capitol Corridor Joint Powers Authority (CCJPA) plans and administers the Capitol Corridor, while Caltrans plans and administers state funding for the Pacific Surfliner and San Joaquin services. Caltrans is responsible for developing annual state budget requests for all three services. The National Passenger Rail Corporation (Amtrak) operates the services under contract with Caltrans and the CCJPA. Under the Federal 1970 Rail Passenger Service Act (49 USC 24102), only Amtrak has statutory rights to access privately owned railroads at incremental cost for intercity passenger rail service.

Operating subsidies for the intercity rail services have been stable over the last five years. For fiscal year 2009-10, the Legislature increased the operating subsidy to $90.3 million. This is an increase from $86.3 in 2008-09 to accommodate the decline in revenues due to the economic recession. Amtrak continues to provide about $11 million annually from federal funds to operate the 30 percent of Pacific Surfliner service that is not state-supported.

Intercity rail corridors in the state are some of the most heavily traveled intercity rail routes in the country. The Pacific Surfliner Corridor is the second most heavily traveled intercity rail corridor in the country, only surpassed by the Washington-Boston Metroliner Corridor. The Capitol Corridor and the San Joaquin Corridor rank number three and six respectively. As other transportation programs, the intercity capital rail program has suffered from unreliable infrastructure funding that now threatens its ability to meet the increased passenger demand generated by higher gasoline prices and a depressed economy. While intercity rail operations can be considered more stable, the same can not be said for infrastructure funding. The uncertainty of reliable funding makes it difficult for Caltrans to develop long-range service plans that are dependent upon new equipment and capital projects.

State Supported Intercity Rail Passenger Service Routes

	FY 2008-09	FY 2007-08	% Change
ALL ROUTES			
Ridership	5,326,696	5,326,868	0.0%
Revenues	$105,713,649	$103,071,323	2.6%
Expenses	$210,089,581	$201,540,435	4.2%
Farebox Ratio	50.3%	51.1%	-1.6%
OTP	86.6%	79.8%	8.5%
CAPITOL CORRIDOR			
Ridership	1,670,799	1,597,390	4.6%
Revenues	$24,424,535	$22,210,328	10.0%
Expenses	$52,836,733	$51,171,004	3.3%
Farebox Ratio	46.2%	43.4%	6.5%
OTP	91.6%	83.4%	9.8%
SAN JOAQUIN ROUTE			
Ridership	958,946	894,346	7.2%
Revenues	$30,633,896	$28,945,651	5.8%
Expenses	$68,371,543	$65,474,253	4.4%
Farebox Ratio	44.8%	44.2%	1.4%
OTP	86.5%	80.2%	7.9%
PACIFIC SURFLINER ROUTE			
Ridership	2,696,951	2,835,132	-4.9%
Revenues	$50,655,218	$51,915,344	-2.4%
Expenses	$88,881,305	$84,895,178	4.7%
Farebox Ratio	57.0%	61.2%	-6.9%
OTP-Route	80.8%	75.3%	7.3%
OTP-North	78.1%	78.2%	-0.1%
OTP-South	81.9%	74.4%	10.1%

Due to budgetary constraints, the Commission did not allocate STIP funds to intercity rail in the 2008-09 fiscal year. The 4th track project in San Jose and Santa Clara worth $20.6 million was ready for construction but was delayed pending availability of funds. However, the Commission allocated funding to two projects from Proposition 1B, $8.5 million to the San Joaquin Corridor for Track and Signal Improvements in Kings Park and $32 million to the Pacific Surfliner/Metrolink for a Triple Track project from Commerce to Fullerton. The Commission also allocated $11 million from the TCRF to two projects to improve track and signals along the San Joaquin intercity rail line in several counties.

The performance metrics of the Capitol, San Joaquin and Pacific Surfliner, as reported by Caltrans at the end of the fiscal year, are presented below, comparing 2008-09 with 2007-08. Overall, intercity ridership stayed the same between 2007-08 and 2008-09. It should be noted that rail ridership nationwide declined due mostly to the global economic recession. Revenues increased on the overall state system from $103.1 million in 2007-08 to $105.7 million in 2008-09, a 2.6 percent increase. The combined farebox ratio (amount of passengers generated revenues divided by operating cost) of the three corridors decreased slightly by less then one percent from 51.1 percent in 2007-08 to 50.3 percent in 2008-09. The On Time Performance, a measure of the train's reliability in maintaining its schedule, for the three corridors increased from 79.8 percent to 86.6 percent from 2007-08 to 2008-09.

Implementation of the Safe, Reliable High-Speed Passenger Train Bond Act of the 21st Century

The Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century (Proposition 1A) was approved by the voters in 2008. Proposition 1A authorizes $9.95 billion in general obligation bonds to initiate construction of a high-speed passenger rail system. Of this amount, $950 million was authorized for allocation by the Commission, upon appropriation by the Legislature, to eligible recipients for capital improvements to intercity and commuter rail lines and urban rail systems that provide direct connectivity to the high-speed train system and its facilities, or that are part of the construction of the high-speed train system, or that provide capacity enhancements and safety improvements. Funds allocated for this program shall be used to pay or reimburse the costs of projects to provide or improve connectivity with the high-speed train system, or for the rehabilitation or modernization of, or safety improvements to, tracks utilized for passenger rail service, signals, structures, facilities, and rolling stock.

The Commission is currently developing guidelines to provide the framework for prioritizing projects for both the Intercity Rail Program and Commuter and Urban Rail Formula Program. The Commission is consulting with the High Speed Rail Authority, and seeking input from Caltrans and eligible agencies and expects to adopt program guidelines in early 2010 and a program of projects in mid-2010. The Commission expects that some projects seeking federal funding under the Recovery Act will also seek funding from Proposition 1A. Hence, the Commission deemed it prudent to wait until federal funding is determined, which is expected in early spring 2010, before adopting its Proposition 1A program of projects.

AERONAUTICS PROGRAM

The Aeronautics Program is a fiscally constrained biennial three-year program of projects, which comes from a 10-year unconstrained Capital Improvement Plan (CIP) from eligible airports. The Aeronautics Account, which receives revenues from state general aviation fuel taxes, combined with local funds, is used to match Federal Airport Improvement Program (AIP) grants and funds capital outlay projects at public-use airports through the Acquisition and Development (A&D) element of the California Aid to Airports Program (CAAP). The CAAP also includes a statutory annual credit grant program, which provides annual non-discretionary grants of $10,000 for each general aviation airport in the state. Aeronautics Account funds are applied first to Caltrans aeronautics operations and the annual credit grant program. Any remaining funds are then available for the projects in the Aeronautics Program as adopted by the Commission.

The Aeronautics Account represents the sole state source of funding for the Caltrans Division of Aeronautics and the programs it administers. Revenue sources for the Aeronautics Account include an 18-cent per gallon motor vehicle fuel excise tax on general aviation gasoline and a two-cent per gallon excise tax on general aviation jet fuel. Air carrier, military aircraft and aviation manufacturing are exempt from the two-cent per gallon excise tax on jet fuel. The annual revenue transferred by the State Controller's Office (SCO) into the State Aeronautics Account has steadily decreased. In fact, the highest transfer of $8.36 million occurred in the 1999-00 fiscal year and since then it has declined steadily. In the 2008-09 fiscal year, the SCO reported a transfer of $7.23 million into the State Aeronautics Account, the lowest transfer since the 1992-93 fiscal year. Based on trend line analysis, jet fuel sales could become the major funding source for the State Aeronautics Account as early as next fiscal year. Although increased general aviation jet fuel sales have helped slow the decline, the downward trend continues in the State Aeronautics Account until another funding source comes on line.

California's general aviation system is deteriorating under current funding conditions. In California, aviation and related activities represent nine percent of the state's gross domestic product. General aviation typically receives about $7 to $8 million annually from excise taxes on general aviation gasoline and jet fuel, while the bulk of the approximately $150 million in annual excise taxes goes to the General Fund. Of the $ 8 million from excise taxes, about $ 4 million is available for capital projects. In Caltrans' latest ten-year CIP, the local agencies are requesting $85 million from the state. As currently constituted, with most of the revenues directed to the General Fund, the Aeronautics Account is not an adequate, reliable dedicated funding source for important safety, security, capacity, airport land use compatibility, and other related airport projects.

In addition to establishing a reliable, stable and dedicated funding source, the existing Aeronautics Account must be protected from transfers. During the 2008-09 budget deliberations, $4 million was transferred from the Aeronautics Account to the General Fund. That same budget action also suspended the provisions establishing the funding programs for the 2009-10 fiscal year. This action severely hampers general aviation's activities, its ability to match federal funds, and to provide needed capital improvements.

The Commission has long supported increasing state funding to develop an integrated system of airports that adequately meets the demands of California's economy. California could make significant progress in implementing state priorities for increasing airport capacity and safety, security, enhancing air passenger mobility, improving air cargo efficiency, mitigating the impacts of airport operations on local communities, and mitigating the impacts of land use encroachment on airport operations. The Commission supports redirecting a larger portion of the existing state sales tax revenues from the sale of aviation jet fuel and general aviation fuel to fund state aviation programs. These tax revenues are a "user fee" paid by the aviation industry and users, in the same way that sales tax revenues on gasoline and diesel fuel, currently directed to highway and transit program funding, are user fees on drivers.

California's general aviation system is deteriorating under current funding conditions.

Vision 100, Century of Flight Authorization Act of 2003, a four-year statute that lapsed in September 2007, provides funding for the Federal Aviation Administration's (FAA) AIP. These revenues are extremely important for the overall preservation and enhancement of California's Public Use Airport System. Nationwide the annual authorized AIP funding levels averaged around $3.55 billion. California typically receives around eight to ten percent of the funds appropriated.

This year, Congress attempted to pass a three-year extension of Vision 100. Congress, however, was unable to agree on a long-term re-authorization of federal aviation policies and programs. Congress extended current taxes and FAA spending authority through December 31, 2009. The extension gives Congress and the Administration time to consider the crafting of a multi-year measure. A complete re-authorization package must provide long-term stability and continue to modernize America's aviation system through accelerated implementation of Next Generation (NexGen) technology.

Under Section 14506.5 of the Government Code, the Commission appoints a Technical Advisory Committee on Aeronautics (TACA) to give technical advice on the full range of aviation issues considered by the Commission. The current TACA membership includes representatives from airport businesses, pilots and aircraft owners, managers of commercial and rural airports, managers of operations at major commercial airports, a manager from a commercial air and spaceport, metropolitan and local planning organizations, and federal and state aviation agencies. During the fiscal year, the Commission received advice from TACA regarding the overall Aeronautics Program and the matching ratios for specific grant programs, pending legislation and the pending federal re-authorization. TACA also provided the Commission with guiding principles for the next federal re-authorization for aeronautics to support California's airports and to aid the California Congressional Delegation in Washington, D.C. in its efforts to maintain and increase federal funding.

The guiding principles approved by the Commission recommend:

- A multi-year re-authorization of the aeronautics appropriations and programs
- Increased funding for specific programs and capital improvements
- NexGen Air Transportation System implementation
- Increased funding through increases to passenger facility charges
- New fire fighting standards should be vetted by the FAA led Aviation Rulemaking Advisory Committee process

PROPOSITION 116 PROGRAM

Proposition 116 enacted the Clean Air and Transportation Improvement Act of 1990, designating $1.99 billion for specific projects, purposes, and geographic jurisdictions, primarily for passenger rail capital projects. Of this amount, Proposition 116 authorized $1.852 billion for the preservation, acquisition, construction, or improvement of rail rights-of-way, rail terminals and stations, rolling stock acquisition, grade separations, rail maintenance facilities, and other capital expenditures for rail purposes; $73 million for 28 non-urban counties without rail projects, apportioned on a per capita basis, for the purchase of paratransit vehicles and other capital facilities for public transportation; $20 million for a competitive bicycle program for capital outlay for bicycle improvement projects that improve safety and convenience for bicycle commuters; another $30 million to a water-borne ferry program ($20 million competitive and $10 million to the City of Vallejo) for the construction, improvement, acquisition, and other capital expenditures associated with water-borne ferry operations for the transportation of passengers or vehicles, or both.

In 2009, the Commission programmed $164.5 million from Proposition 116. The following table lists the 2009 programming actions:

Proposition 116 Approved Applications in 2009

County	PUC Section	Agency, Project	Programmed Amount
Marin/Sonoma	99639a	SMART, Larkspur-Cloverdale Commuter Rail	$28,000,000
Santa Cruz	99640	SCCRTC, Acquire Branch Line right of way	$10,200,000
Orange	99645	OCTA, Commuter/Intercity Rail Program	$121,298,778
Dept. Parks & Rec.	99648	Parks & Rec., Railroad Technology Museum	$5,000,000
		Total	**$164,498,778**

The Commission allocated $19.2 million from the proceeds of Proposition 116 in 2009, leaving just under $153.5 million of the original authorization still unallocated. The following table displays remaining authorizations and unallocated balances:

Proposition 116 Authorizations with Unallocated Amounts

County	Agency, Project	Authorization	Balance Unallocated
Humboldt/Mendocino	North Coast Railroad Authority	$10,000,000	$129,289
Los Angeles	Caltrans, Alameda Corridor	$80,000,000	$17,437
Los Angeles	Los Angeles County MTA, rail	$229,000,000	$62,083
Los Angeles/San Diego	Various Agencies, LOSSAN rail	$45,000,000	$405,281
Marin/Sonoma	SMART, rail	$28,000,000	$28,000,000
Monterey	County, rail	$17,000,000	$6,247,813
Nonurban Counties	Counties, transit capital	$73,000,000	$35,685
Orange	City of Irvine, guideway	$125,000,000	$102,129,778
Sacramento	Sac. Regional Transit, rail	$100,000,000	$4,931
San Diego	MTDB/NCTD, rail	$77,000,000	$560
San Joaquin	SJCOG, Altamont Corridor	$14,000,000	$65,130
San Joaquin	Caltrans, San Joaquin Corridor	$140,000,000	$352
Santa Clara	Santa Clara VTA, rail	$47,000,000	$137,957
Santa Cruz	County, rail	$11,000,000	$10,200,000
Solano	City of Vallejo, ferry	$10,000,000	$496,332
State Parks and Recreation	Museum of rail technology	$5,000,000	$5,000,000
Statewide	Competitive, bicycle	$20,000,000	$460,851
Statewide	Competitive, water-borne ferry	$20,000,000	$29,350
Statewide	Caltrans, rail cars, locomotives	$100,000,000	$85,913
		Total	**$153,508,742**

After July 1, 2010, under the terms of Proposition 116, the Legislature may reallocate any unencumbered Proposition 116 funds to another passenger rail project anywhere in the state. Any legislative re-allocation must be passed by a two-thirds vote in each house of the Legislature. In the case of Caltrans, the re-allocation must be to a state-sponsored passenger rail project.

After July 2010, the Legislature may reallocate any unencumbered Proposition 116 funds to another passenger rail project anywhere in the state.

ELDERLY AND DISABLED SPECIALIZED TRANSIT PROGRAM

In 1975, Congress established the Section 5310 Elderly and Disabled Specialized Transit Program (Section 5310) to provide financial assistance for nonprofit organizations to purchase transit capital equipment to meet the specialized needs of elderly and disabled individuals for whom mass transportation services are unavailable, insufficient, or inappropriate. Congress later extended program eligibility to public bodies that certify to the Governor that no nonprofit organizations are readily available in their area to provide the specialized service. Section 5310 designated the Governor of each state as the program administrator. In California, Caltrans was delegated this authority and has administered this federal program since its inception.

Assembly Bill 772 (Chapter 669, Statutes of 1996) mandated that Commission direct the allocation of Section 5310 funds, establish an appeals process, and to hold at least one public hearing prior to approving each annual program project list. To implement this mandate, the Commission developed an annual program review and approval process in cooperation with regional transportation planning agencies (RTPA), state and local social service agencies, the California Association for Coordinated Transportation, and Caltrans.

The process adopted by the Commission calls for each regional agency to establish scoring based on objective criteria adopted by the Commission. A State Review Committee then reviews the scoring and creates a statewide priority list using the same criteria. The State Review Committee consists of representatives from Caltrans and the departments of Aging, Rehabilitation, and Developmental Services, with Commission staff acting as facilitator. When the State Review Committee has completed its review, Commission staff and the committee hold a staff-level conference with project applicants and regional agencies to hear any appeals based on technical issues related to scoring. After the staff conference and a public hearing, the Commission adopts the annual program project list. All projects receive 88.53 percent federal funding and require an 11.47 percent local match.

Under the SAFETEA-LU certain federal formula programs, including the Section 5310, are required to be derived from a coordinated public transit-human services transportation plan for funding received in the 2007 federal fiscal year and beyond.

Consequently, the project application and project evaluation criteria adopted by the Commission were updated to include the coordinated public transit-human services transportation plan requirement and management mobility activities. The Commission convened its Section 5310 Advisory Committee, which consists of members from RTPAs, state and local social service agencies, the California Association for Coordinated Transportation, Caltrans and Commission staff.

The committee met four times in the second half of 2007 to consider the SAFETEA-LU changes to the program. The revised application, Quantitative Scoring Criteria and Project Rating Worksheets were presented at the January 2008 Commission meeting for notice and public hearing, and were adopted at the February 2008 Commission meeting. These documents needed some minor updating. The Commission reconvened the Section 5310 Advisory Committee in January 2009 to recommend minor updates to the scoring criteria and worksheets, and the Commission adopted the updates at the February 2009 Commission meeting.

For the 2007-08 (2008) federal fiscal year, Caltrans received applications from 107 eligible agencies for 499 projects requesting a total of $21.8 million in Federal Transit Administration Section 5310 funds. The 2008 program cycle funding capacity was $12.1 million, which combined with project savings in the amount of $1.1 million from previous cycles, provided a total of $13.2 million in federal funding capacity available to fund projects for the 2008 program.

All applications were scored locally by the RTPAs using the program procedures adopted by the Commission. The State Review Committee subsequently reviewed and, in some cases, modified the regional score for those projects, using the Commission adopted procedures. Projects with different regional and State Review Committee scores were discussed with the RTPA.

The 2008 federal fiscal year draft project list was presented at the December 2008 Commission meeting, and was also submitted to the RTPAs and project applicants for review. Three agencies contacted Caltrans and their RTPA regarding differences in the scores given by the State Review Committee and the RTPA. The draft list presented at the December meeting was revised to reflect score changes to five projects from those three agencies.

In December 2008, Commission staff and the State Review Committee conducted the required staff-level conference to provide all stakeholders an opportunity to discuss the revised project list and to hear any appeals on technical issues that affected the scoring. No written appeals were received and no verbal appeals were heard.

A statewide-priority list was subsequently assembled and was used for a public hearing held during the Commission's January 2009 meeting. Following the hearing, the Commission adopted the final 2007-08 Statewide Prioritized Project list.

For the 2008-09 (2009) federal fiscal year, applications were due to the RTPAs by June 5, 2009. The applications, with regional scores, were submitted to Caltrans by September 8, 2009. Caltrans intends to present the draft project list for Commission consideration at the January 2010 Commission meeting, and submit a final 2008-09 Statewide Prioritized Project list for adoption at the February 2010 Commission meeting.

ENVIRONMENTAL ENHANCEMENT AND MITIGATION PROGRAM

The Environmental Enhancement and Mitigation (EE&M) Program was established by the Legislature in 1989 to fund environmental enhancement and mitigation projects directly or indirectly related to transportation projects. Funding is ordinarily provided by a $10 million annual transfer to the EE&M Fund from the SHA. The EE&M Program projects must fall within any one of three categories: highway landscape and urban forestry; resource lands; and roadside recreation. Projects funded under this program must provide environmental enhancement and mitigation over and above that otherwise called for under the California Environmental Quality Act (CEQA).

Section 164.56 of the Streets and Highways Code mandates that the Resources Agency evaluate projects submitted for the program and that the Commission award grants to fund projects recommended by the Resources Agency. Any local, state, or federal agency or nonprofit entity may apply for and receive grants. The agency or entity need not be a transportation- or highway-related organization, but it must be able to demonstrate adequate charter or enabling authority to carry out the type of project proposed. Two or more entities may participate in a joint project with one designated as the lead agency. The Resources Agency has adopted specific procedures and project evaluation criteria for assigning quantitative prioritization scores to individual projects. In accordance with the provisions of Section 187 and 188 of the Streets and Highways Code, an attempt will be made to allocate 40 percent of the total amount recommended to projects in northern counties and 60 percent of the total amount to projects in southern counties.

In establishing the 2008 09 EE&M Program, the Resources Agency evaluated 66 applications and recommended funding 36 projects from the $10 million included in the 2008-09 Budget Act. The Resources Agency recommended funding 18 projects in the north totaling $4.424 million and 18 projects in the south totaling $5.576 million. The Commission approved an allocation of $10 million for the 36 projects at its April 2009 meeting. The 36 projects funded in 2009 include 10 highway landscape and urban forestry projects; 17 resource land projects; and nine roadside recreation projects. To date, a total of 663 projects have been programmed and allocated by the Commission at a total cost of $155.225 million. Of those, there have been 224 highway landscape and urban forestry projects; 232 resource land projects; and 197 roadside recreation projects.

The 2009-10 fiscal year budget included $10 million for the EE&M Program. It is anticipated that the Resources Agency will submit its recommended project list to the Commission in February 2010 for programming and allocation. The Commission will report on the projects funded through the EE&M Program in 2009-10 in its 2010 Annual Report to the Legislature.

Commissioners:

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Ex-Officio Members:

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The Honorable Mike Eng, Member of the California Assembly

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Andre Boutros, Chief Deputy Director
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